

# **High-Quality Belt and Road Cooperation: Partnership on Connectivity**

Report on the Findings and Recommendations from the  
Meetings of the Advisory Council of the Belt and Road  
Forum for International Cooperation in 2019 and 2020

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## **Foreword**

The Advisory Council of the Belt and Road Forum for International Cooperation (BRF) was established in 2018 as a non-profit, international policy advisory body, offering intellectual support to the BRF. The First Meeting of the Advisory Council was held on 16-17 December 2018 in Beijing. A report named “Belt and Road Cooperation: For A Better World” was delivered by the meeting and submitted to the 2<sup>nd</sup> BRF. Recommendations in the report were reflected in the Joint Communiqué of the Leaders’ Roundtable of the 2<sup>nd</sup> BRF.

On 22 December 2019, the 2019 BRF Advisory Council Meeting was convened in Beijing, during which participants had in-depth discussions on the topics of promoting high-quality Belt and Road cooperation and building global partnership on connectivity. The 2020 BRF Advisory Council Meeting was held virtually on 18 December 2020. Participants exchanged views on building a health silk road, a green silk road, and a digital silk road, as well as further opportunities for the Belt and Road cooperation while China is pursuing the new development paradigm.

The Advisory Council members agreed to release a joint report of the 2019 and 2020 meetings, reflecting relevant discussion, findings and recommendations. Dr. Shamshad Akhtar, former UN Under Secretary General and former Executive Secretary of the Economic and Social Commission for Asia and the Pacific of the United Nations, and Professor Justin Yifu Lin, former Senior Vice President of the World Bank and Honorary Dean of the National School of Development of Peking University, were appointed by the Advisory Council as Rapporteurs of the report. The report was drafted by the Rapporteurs with the academic and logistic support from the BRF Liaison Office and the Belt and Road School of Beijing Normal University.

## **Chapter 1 Renewed Mission of Belt and Road Cooperation: High-quality Development**

The Silk Road Economic Belt and the 21<sup>st</sup>-century Maritime Silk Road - known as the Belt

and Road Initiative (BRI) is an initiative for promoting international economic cooperation proposed by Chinese President H.E. Xi Jinping in 2013. By rejuvenating the spirit of the ancient Silk Road, and with a focus on strengthening connectivity, the initiative aims to promote development policy synergy, infrastructure development, trade facilitation, financial cooperation and people-to-people bond, so as to provide new drivers for global growth, offer new avenues and space for international economic cooperation, and create new opportunities for common development and shared prosperity.

With the wide support from international community, significant progress has been made under the initiative. By October 2021, 141 countries and 32 international organizations have signed cooperation documents on the BRI. The synergy between the BRI and various national, regional and global development plans has been further tapped. A framework underpinned by economic corridors, networks of roads, railways, air routes, waterways, information highways and pipelines, as well as multiple ports in various countries has emerged. A number of projects have been implemented, with some early harvests already benefiting the local peoples.

To further consolidate and map out future development of the Belt and Road cooperation, the Second Belt and Road Forum for International Cooperation (2<sup>nd</sup> BRF) was held on 25-27 April 2019 in Beijing. President Xi Jinping addressed the opening ceremony and chaired the Leaders' Roundtable of the 2<sup>nd</sup> BRF. More than 6000 representatives from 150 countries and 92 international organizations, including 37 heads of state or heads of government, the Secretary-General of the United Nations and the Managing Director of International Monetary Fund participated in the forum. As an outcome, the conceptual framework, practical guidelines and understanding for the way forward on the Belt and Road cooperation were achieved.

On 18 June 2020, in response to the outbreak of the COVID-19 pandemic, the High-level Video Conference on Belt and Road International Cooperation was held online. President Xi Jinping delivered a written message to the conference, underscoring that China will work with its partners to develop the Belt and Road into a pathway towards cooperation for meeting challenges through unity, a pathway towards health for protecting people's safety and well-being, a pathway towards recovery for restoring economic and social activity, and a pathway towards growth for unlocking development potential. The conference was chaired by Wang Yi, State

Councilor and Foreign Minister of China. Foreign ministers or other ministers from 25 countries, WHO Director-General, and Under-Secretary-General of the United Nations and Administrator of the United Nations Development Programme attended the conference. A Joint Statement was issued as the outcome, which reflected the consensus of all parties to continue promoting high-quality Belt and Road cooperation despite the pandemic.

With high-quality development at the center of its agenda, the Belt and Road cooperation moved on its journey with a renewed vigor, where the focus of cooperation is shifting from “painting the broad strokes” to “refining the details”. By nurturing new cooperation platforms, exploring new cooperation approaches, promoting new initiatives, and embarking on new endeavors, Belt and Road cooperation is expected to deliver more concrete outcomes that will benefit its partners and contribute to a bright shared future for the mankind.

## **1.1 New Concept and New Vision**

As elaborated by President Xi at the opening ceremony of the 2<sup>nd</sup> BRF and based on the consensus reached in the Joint Communique of Leaders’ Roundtable of the Forum, high-quality Belt and Road cooperation is underpinned by 3 pillars:

1) The principle of extensive consultation, joint efforts and shared benefits. The cooperation is based on the spirit of multilateralism. It continues to move on with policy and project cooperation through voluntary participation and consensus-building, based on shared responsibility and outcomes. All countries, no matter how big or small, rich or poor, are equal partners for cooperation. Through close cooperation, either bilaterally, trilaterally or multilaterally, the strengths of the partners could be fully tapped and translated into concrete results that benefit all parties.

2) The approach of open, green and clean cooperation. Rather than forming an exclusive club, the BRI welcomes the participation of all interested partners. By fostering international economic cooperation and cross-border flows of trade and investment, the cooperation embraces the building of an open world economy and promotion of rules-based, inclusive and non-discriminatory environment. The cooperation calls for efforts to develop green infrastructure,

green technology and green finance and address the challenges of environmental protection and climate change, while fully taking into account the development needs of developing countries. Moreover, partners are also encouraged to build a culture of integrity and combat corruption, and work towards zero-tolerance in anti-corruption.

3) The pursuit of high-standard, people-centered and sustainable development. The cooperation mandates compliance with universally accepted international norms and standards, while respecting national legislation and regulatory frameworks of partner countries and encouraging harmonization among various norms and standards. It follows a people-centered approach, which gives priority to poverty alleviation, job creation and broad-based improvement of people's livelihood for countries involved. Sustainability in all its dimensions including economic, environmental, social, fiscal and financial sustainability of projects is promoted during the cooperation. Building upon its intrinsic links to the Sustainable Development Goals, the cooperation is poised to accelerate the implementation of the 2030 Agenda.

The COVID-19 pandemic has posed a major challenge to the world's economic and social development and a grave threat to the lives and health of people across the globe. In this context, Belt and Road cooperation partners joined hands to combat the pandemic and promote economic and social recovery.

Enhancing health cooperation among partner countries has long been one of the priorities of Belt and Road cooperation ahead of the outbreak of the pandemic. It was stipulated in the "Vision and Actions on Jointly Building Belt and Road" published in March 2015 that partners of Belt and Road cooperation "should strengthen cooperation with neighboring countries on epidemic information sharing, the exchange of prevention and treatment technologies and the training of medical professionals, and improve capability to jointly address public health emergencies". At the Belt and Road High-Level Meeting for Health Cooperation: Towards a Health Silk Road held on 18 August 2017 in Beijing, Mr. Tedros Adhanom Ghebreyesus, Director-General of the World Health Organization (WHO) highlighted that the world faces increasing and more complex epidemics, pandemics and disasters, and President Xi Jinping's proposal for a health silk road, which strengthens and renews ancient links between cultures and people, with health at its core, is indeed visionary.

To fight against the COVID-19 pandemic, President Xi Jinping pointed out in his written message to the High-level Video Conference on Belt and Road International Cooperation that humanity cannot succeed without solidarity, cooperation and multilateralism, be it in taming the virus or in achieving economic recovery. The right approach to tackling global crises and realizing long-term development is through greater connectivity, openness and inclusiveness, which is where Belt and Road international cooperation can make a big difference. In the Joint Statement of the conference, participants agreed to strengthen public health cooperation toward a health silk road; keep cross-border and trans-regional transport and logistic passages open, and set up express passenger channels for the flow of business personnel and green passages for cross-border trade in goods; maintain the stability of regional and global industrial chains and supply chains, promote the resumption of productive activities, and explore new sources of growth in fields such as digital economy; and move forward with cooperation on economic and transport corridors, economic and trade cooperation zones and other Belt and Road projects.

The new development paradigm recently adopted by China, which takes domestic circulation as the mainstay, while domestic and international circulations reinforce each other, will further open up a bright future for Belt and Road cooperation. Firstly, the new development paradigm calls for high-quality development and a high-level dynamic balance between supply and demand which ensures that the two are effectively connected to and interact with each other. This will provide stronger impetus for the high-quality development of Belt and Road cooperation. Secondly, in pursuit of the new development paradigm, China will fully explore its domestic market potential and continue its opening-up, As a result, greater flows of people, logistics, and capital between China and partner countries are expected, and closer cooperation in areas such as trade, investment, infrastructure development are envisioned. This will unlock greater space for Belt and Road cooperation. Thirdly, the new development paradigm requires unswerving implementation of the new development principles which aim to achieve innovated, coordinated, green, open and shared development. This will catalyze more optimized paths for the Belt and Road cooperation to achieve high standard, people-centered and sustainable development.



## 1.2 New Platforms and New Approaches

With multilateralism deeply embedded in the pursuit of high-quality Belt and Road cooperation, new platforms for international cooperation have been developed to foster more coordinated efforts among partners.

Inaugurated in May 2017, the Belt and Road Forum for International Cooperation (BRF) is the highest-level and most comprehensive cooperation platform under the BRI, where governments of partner countries and other stakeholders work together to define common visions and approaches, identify common priorities and map out common course of actions in relation to Belt and Road cooperation. The 1<sup>st</sup> BRF witnessed the participation of 30 heads of state or governments and over 1600 representatives from more than 140 countries and 80-plus international organizations. A Joint Communiqué and a List of Deliverables were released as the outcomes. Building on these achievements, the 2<sup>nd</sup> BRF attracted the participation of more countries and international organizations and delivered more concrete results. Its fruitfulness does not only lie in the consensus reached on high-quality Belt and Road cooperation at the Leaders' Roundtable, but is also embodied in the success of its 12 sub-forums and the inaugural CEO Conference where cooperation agreements worth over US\$64 billion were signed. Furthermore, participants envisaged benefits from the BRF being held on regular basis with possible follow-up events, which demonstrates the wide support to the platform from partner countries.

To support the implementation of BRF's outcomes and facilitate practical cooperation in thematic work streams, a number of multilateral sectoral cooperation platforms are being developed under the framework of the BRI. These include joint efforts of various partners, covering areas of railways, ports, energy, finance, tax, environment, media, think tanks, etc. Some of them are based on cooperation documents, while some others have witnessed the establishment of inter-governmental or non-governmental cooperation mechanisms with an agreed mission, regular meetings or a secretariat.

To enhance synergies between the BRI and various global and regional development plans and connectivity initiatives, dialogues with UN agencies and different regional countries and

organizations worldwide have been initiated. So far, 19 UN agencies have signed cooperation documents on the BRI and been involved in a number of Belt and Road projects. Several regional dialogues were also held, such as the Belt and Road Dialogue for China-Africa Cooperation held in May 2019 in Ethiopia, and China-Caribbean Conference for Cooperation on the BRI held in October 2019 in Grenada. With such progress, a Belt and Road multilateral cooperation architecture that is topped by the BRF and underpinned by multilateral sectoral cooperation platforms and regional dialogues has been outlined.

Moreover, comprehensive and multi-tiered cooperation approaches have also been nurtured under Belt and Road cooperation frameworks. Beyond bilateral arrangements, practical cooperation under the BRI is now moving forward through trilateral or multilateral collaborations. In addition, while adhering to its initial focus on promoting infrastructure connectivity, the cooperation has gradually expanded its scope to improving soft connectivity, such as harmonization of regulations and standards, customs cooperation, digital connectivity, travel facilitation and people-to-people exchanges, etc. By placing equal emphasis on both hard infrastructure and soft connectivity, a greater potential of Belt and Road cooperation could be delivered to contribute to global economic growth and sustainable development.

Since 2020, facing the great challenge posed by the pandemic and the global economic recession, Belt and Road cooperation has demonstrated strong resilience and vigorous vitality, and has played an important role in maintaining connectivity among countries, stabilizing economies, fighting the pandemic, and safeguarding people's livelihoods. Projects such as the China-Pakistan Economic Corridor, the Hungarian section of the Budapest-Belgrade Railway, and the Jakarta-Bandung High-speed Railway have been progressing steadily, and a number of new projects have been launched. The freight volume on the China-Europe Railway Express and the New International Land-sea Trade Corridor increased despite the pandemic. And building a health silk road, a green silk road, and a digital silk road have become new priorities of the Belt and Road cooperation.

### **1.3 New Initiatives and New Endeavors**

As vehicles to translate the consensus on high-quality Belt and Road cooperation into concrete actions, quite a number of new initiatives have been proposed with new endeavors being brought in.

The first is to build a health silk road. In June 2020, the High-level Video Conference on Belt and Road International Cooperation reached consensus on working towards a health silk road, which included: supporting mutual efforts in combating COVID-19; sharing information, experiences and best practices for the diagnosis and treatment of COVID-19 on a timely basis; establishing bilateral, regional and international mechanisms where necessary; enhancing the availability, accessibility and affordability of vaccines, medicines and medical supplies; investing in the construction of sound and resilient health infrastructure, including the development of telemedicine, etc. At the beginning of the pandemic, 77 countries and 12 international organizations provided assistance to China. And China, in return, has provided assistance in various forms to more than 120 Belt and Road cooperation partner countries. Chinese President Xi Jinping announced at the 73<sup>rd</sup> World Health Assembly that COVID-19 vaccine development and deployment in China, when available, will be made a global public good, as China's contribution to ensuring vaccine accessibility and affordability in developing countries. Chinese State Councilor Wang Yi spoke at the High-level Video Conference on Belt and Road International Cooperation that China is willing to give positive consideration to the needs of Belt and Road partners in the development and application of vaccines. In June 2021, China and 28 countries jointly launched the Initiative for Belt and Road Partnership on COVID-19 Vaccines Cooperation at the Asia and Pacific High-level Conference on Belt and Road Cooperation, calling for stronger cooperation in the donation, export and joint production of vaccines. China has also established express passenger channels for cross-border flow of business personnel with countries such as Republic of Korea, Singapore, Indonesia, Myanmar, Cambodia, the Philippines, Laos, Thailand and Italy, and set up green passages with countries such as Mongolia, Cambodia, Laos, Thailand and Luxembourg to facilitate cross-border trade in goods, so as to help partner countries accelerate their socioeconomic recovery.

The second is to build a green silk road. “Green” serves as an important guiding principle for high-quality Belt and Road cooperation, which was reflected in the Joint Communiqué of the Leaders’ Roundtable of the 2<sup>nd</sup> BRF as the consensus of all parties. To promote green and sustainable development, the Green Investment Principles were signed up by a number of financial institutions at the Sub-forum of Financial Cooperation during the 2<sup>nd</sup> BRF, aiming at ensuring environmental friendliness, climate resilience, and social inclusiveness are built into new investment in Belt and Road projects, so as to achieve the goals set in the 2030 Agenda and the Paris Agreement. As of the end of August 2021, there were 40 signatories and 12 supporting institutions to this document. As the major outcome of the Sub-forum on Green Silk Road during the 2<sup>nd</sup> BRF, the BRI Green Development International Coalition (BRIGC) was officially launched. By mid-October 2021, the coalition comprised 152 partners, including environmental authorities from 26 partner countries, UN agencies such as UNEP and UNIDO, think tanks and NGOs. The BRI Green Development Institute was established under the BRIGC as a high-end international think tank in green development, fostering consensus and synergies on environmental governance. Belt and Road cooperation partner countries have also vigorously promoted projects on green energy and green finance as well as pushed forward green development through technical support, capacity building, and consulting services. Statistics shows that China’s investment in renewable energy projects in Belt and Road cooperation partner countries has remained at more than US\$2 billion annually in recent years. The amount of such investment has already exceeded that in fossil energy in the first half of 2020. The Dubai 950MW Solar Thermal Power Plant constructed by a Chinese enterprise adopts the highest global standard in solar power generation, which is expected to reduce 1.6 million tons of carbon emissions annually upon completion. The Singapore branch of the Industrial and Commercial Bank of China (ICBC) issued the first Belt and Road Bankers Roundtable Mechanism (BRBR) green bond. China Everbright Bank and financial institutions of relevant countries jointly set up the Everbright Belt & Road Green Fund. The Ministry of Ecology and Environment of China established the Belt and Road Environmental Technology Exchange and Transfer Center, and provided capacity building training programs to nearly 3,000 students from developing countries through the Belt and Road South-South Cooperation Initiative on Climate Change. Chinese President Xi Jinping announced at the United Nations General Assembly in September 2020 that China aims to have CO<sub>2</sub> emissions peak before

2030 and achieve carbon neutrality before 2060. This will provide further guidance and strong impetus to building the green silk road. In June 2021, China and 28 countries jointly launched the Initiative for Belt and Road Partnership on Green Development at the Asia and Pacific High-level Conference on Belt and Road Cooperation, calling for collaborative efforts to achieve green and sustainable recovery, and foster a low-carbon, resilient and inclusive post-pandemic growth.

The third is to build a digital silk road. To harness the opportunities brought by the digital era, the Belt and Road Digital Economy International Cooperation Initiative was launched by China together with Egypt, Laos, Saudi Arabia, Serbia, Thailand, Turkey and UAE in 2017. MOUs on building a digital silk road were signed between China and 16 partner countries, including Egypt, Kazakhstan, Republic of Korea and Hungary. At the Sub-forum on Digital Silk Road during the 2<sup>nd</sup> BRF, high-level officials from partner countries expressed their willingness to collaborate in areas such as cloud computing, big data, Internet of Things and artificial intelligence (AI). A report titled Digital Tech Lighting the Silk Road was issued, and 15 enterprises from 8 partner countries signed cooperation agreements on digital projects during the sub-forum. Meanwhile, pragmatic cooperation in the digital field is advancing steadily. Progress has been witnessed in the construction of cross-border fiber optic cables carried out by China, Russia, Pakistan and other countries. China and ASEAN countries are advancing the development of the China-ASEAN Information Harbor and have held four China-ASEAN Information Harbor Forums. China and 22 partner countries have jointly built up the platform "Silk Road E-commerce". In 2019, the total amount of cross-border e-commerce imports and exports between China and the participating countries of the platform increased by 87.9% year-on-year. In 2020, further consensus on promoting the digital silk road was reached at the High-level Video Conference on Belt and Road International Cooperation, where the participants agreed to strengthen cooperation in digital economy, and to nurture growth opportunities in areas such as e-commerce, smart cities, artificial intelligence and big data application to boost economy.

The fourth is to build a clean silk road. Emphasis has been placed on actions to foster a culture of integrity and fight against corruption, with a view to ensuring that Belt and Road cooperation can yield real benefits that are enjoyed by the people. As a model project for building a clean silk road, the China-Laos Railway Project is being implemented under the

supervision of an anti-corruption mechanism jointly established by anti-corruption bodies of China and Laos. During the 2<sup>nd</sup> BRF, the Beijing Initiative for the Clean Silk Road was launched with joint efforts from partner countries, international organizations, academia and business sector. The initiative called for countries involved in the BRI to improve transparency, enhance supervision of the projects, and create a solid legal and institutional framework for anti-corruption cooperation. It also urged enterprises to enhance self-discipline, legal awareness and sense of responsibility so as to foster and maintain a sound government-business relationship. In addition, the initiative encouraged academic exchanges and research to promote the development of the clean silk road. On 8 December 2020, the Conference on Integrity in COVID Response and Economic Recovery by the Belt and Road Cooperation Partners was successfully held with the attendance of representatives from 22 countries, the United Nations Office on Drugs and Crime and other international organizations. Participants agreed that it is necessary to strengthen cooperation and exchanges as well as to intensify efforts to prevent and combat corruption, in order to create a corruption-free environment to support the high-quality development of Belt and Road cooperation and safeguard effective pandemic response and economic recovery.

## **Chapter 2 Belt and Road Cooperation's Growing Contribution to Global Development**

### **2.1 Background**

In the aftermath of the global financial crisis, the world economy has been recovering at a slow pace. Although the global GDP growth rate rebounded from -1.68 percent in 2009 to 4.3 percent in 2010, it soon decelerated due to weak demand and policy misalignment. The average global growth after 2009 was 0.45 percent lower than the pre-global financial crisis decade. Affected by the COVID-19 pandemic, the world further witnessed a plunge in economic growth, rising unemployment, and a decline in trade and cross-border investment for major economies in 2020 and 2021. According to the World Economic Outlook issued by International Monetary Fund (IMF) in October 2021, although the global recovery continues, the momentum has weakened, hobbled by the pandemic. Pandemic outbreaks in critical links of global supply chains have resulted in longer-than-expected supply disruptions, further feeding inflation in many countries. Large disparities in vaccine access and in policy support has resulted in dangerous divergence in economic prospects across countries.

Amid increasing global instability and uncertainties, Belt and Road cooperation, by promoting infrastructure development and enhancing soft connectivity, has the potential to build connectivity corridors, advance innovation and industrialization, accelerate regional economic integration, and maintain stability and openness of industrial chains and supply chains, which will in turn foster industrial clustering, economic development and improvement of people's livelihood. As highlighted by Mr. Antonio Guterres, Secretary-General of the United Nations at the 2<sup>nd</sup> BRF, "the five pillars of the Belt and Road – policy coordination, facilities connectivity, unimpeded trade, financial integration, and people-to-people exchanges – are intrinsically linked to the 17 Sustainable Development Goals", and "the world will benefit from a Belt and Road Initiative that accelerates efforts to achieve the Sustainable Development Goals". Against the backdrop of the pandemic, Belt and Road cooperation could also contribute to the efforts in combating the COVID-19, stabilizing the global economy and safeguarding livelihoods, and serve

as a pathway to foster cooperation and achieve health, recovery and growth for common development and prosperity.

## **2.2 An Academic Revisit to Belt and Road Cooperation through Socioeconomic Perspectives**

### **2.2.1 A Road to Sustainable Economic Growth and Development**

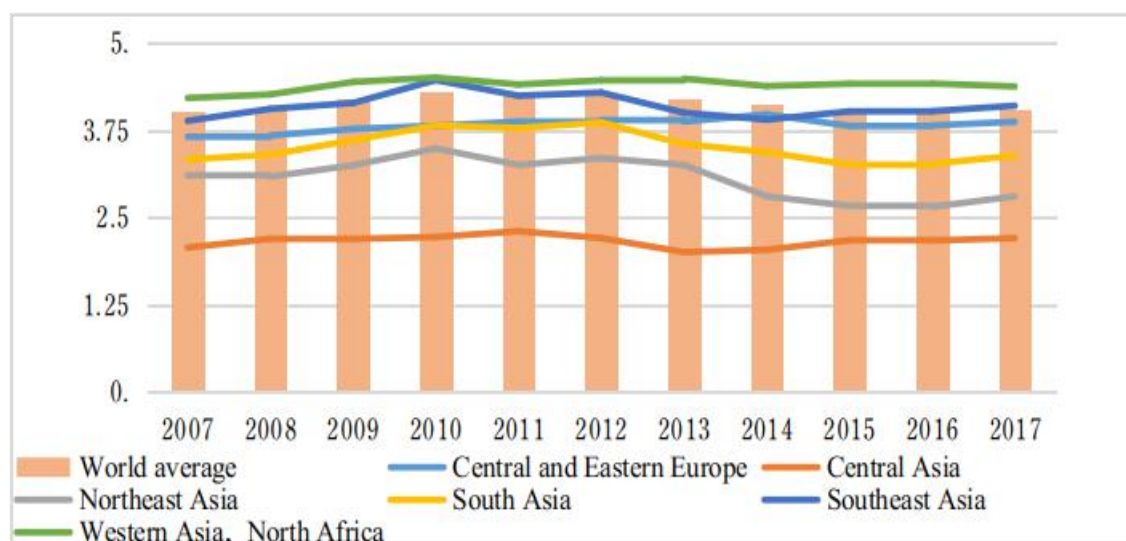
Infrastructure is a critical public good that spurs production activities and global and regional economic growth, with spillover impacts on local welfare. For instance, infrastructure investment creates jobs, removes bottlenecks constraining trade and growth, subject to removing tariff and non-tariff barriers, and thereby improves overall productivity and enhances social wellbeing. Substantial benefits emerge from the development of transport infrastructure that connects air, land and sea across countries, including through interoperable and multi-modal transport linkages. Among other benefits, such an interlinked network reduces transportation and logistics costs and boosts cross-border and trans-regional trade. With appropriate energy investments, energy security of developing countries will be enhanced. The beneficiary countries will have better access to affordable, clean, renewable and sustainable energy which is essential to their industrialization and sustainable development.

Taking into account the huge infrastructure gap that exists in the developing world, the benefits of Belt and Road cooperation, with its primary focus on investment in developing countries, will improve their infrastructure facilities. As is shown in Figure 1, the average quality of port infrastructure of the countries along the Belt and Road is well below the world average. Apart from weakness in hard infrastructure, countries along the Belt and Road suffer from weak digital infrastructure, which is again below the world average. The average fixed broadband subscription per 100 people was only 14.46 in 2018, as compared to the world average of 14.81 and the OECD average of 32.11. Most of South and Southeast Asia have limited access to broadband subscription. For these groups of countries, the fixed broadband subscription per 100 people is only 3.9 and 7.9 respectively. According to estimates of ADB, from 2016 to 2030, developing Asia requires infrastructure investment of USD 26 trillion as the infrastructure gap



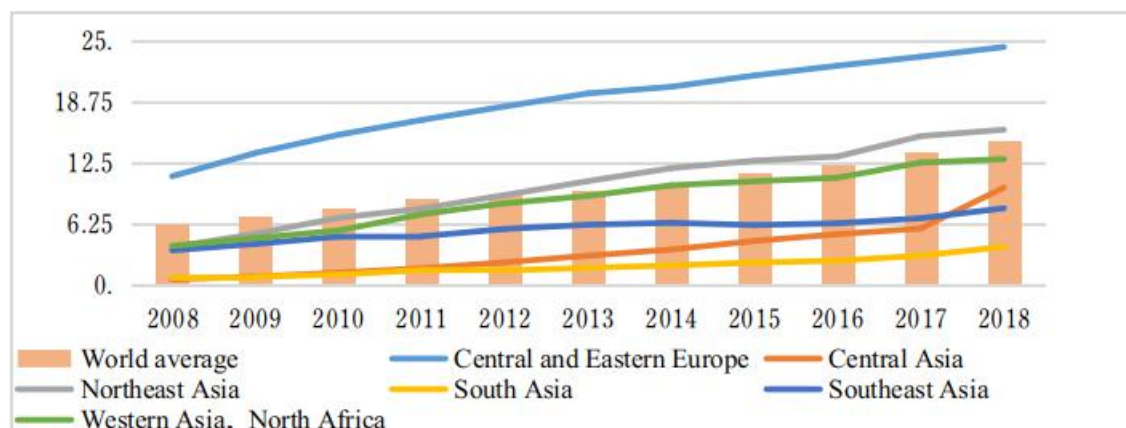
averages 2.4 percent of the projected GDP for the 5-year period from 2016 to 2020.

**Figure 1 Quality of port infrastructure of the Belt and Road countries<sup>1</sup>**



Source: World Bank WDI databases

**Figure 2 Fixed broadband subscriptions (per 100 people) of the Belt and Road countries**



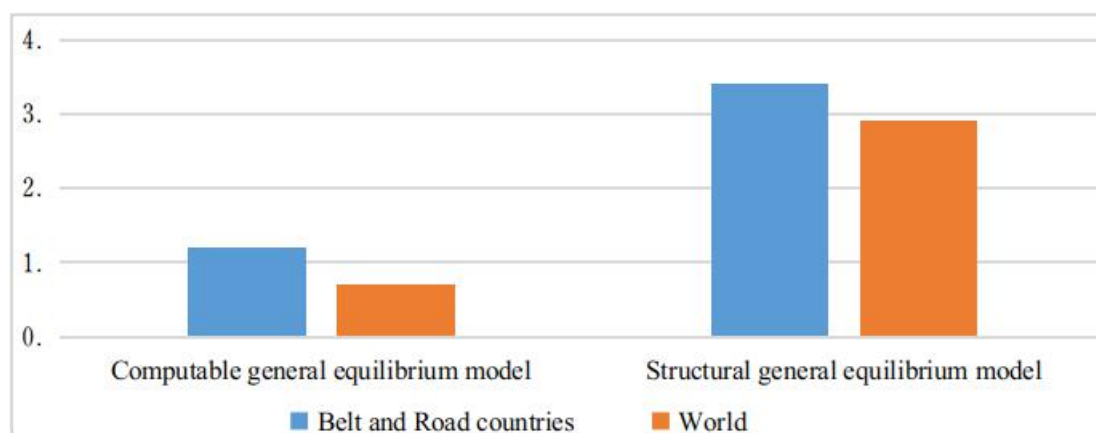
Source: World Bank WDI databases

Belt and Road cooperation has the potential to close the infrastructure gap and enhance global connectivity in the long run. Taking transport infrastructure as an example, BRI projects stretch along different continents, making the existing transport network denser (Reed and

<sup>1</sup> The quality of port infrastructure measures business executives' perception of their country's port facilities. The scores range from 1 (port infrastructure considered extremely underdeveloped) to 7 (port infrastructure considered efficient by international standard)

Trubetskoy 2019). These projects include rail enhancement projects such as the Mombasa-Nairobi Standard Gauge Railway that connects the Indian Ocean city of Mombasa with Kenya’s capital city, as well as road improvement projects such as the Western China-Western European International Expressway which aims at increasing transport efficiency along the New Eurasian Land Bridge Economic Corridor. As estimated by the World Bank (2019), with the implementation of transport infrastructure projects along Belt and Road economic corridors, corridor economies can, on average, reduce shipment times by 3.2 percent with the rest of the world and 4 percent with other corridor economies, which in turn would reduce aggregate trade costs for corridor economies by 2.8 percent with the rest of the world and by 3.5 percent with other corridor economies on average. This is estimated to translate into trade growth between 2.8 and 9.7 percent for corridor economies and between 1.7 and 6.2 percent for the world, as well as increase foreign direct investment by 7.6 and 6.0 percent for the low-income and lower-middle-income economies respectively.

**Figure 3 The contribution of improved transport infrastructure to income growth**



Source: World Bank (2019)

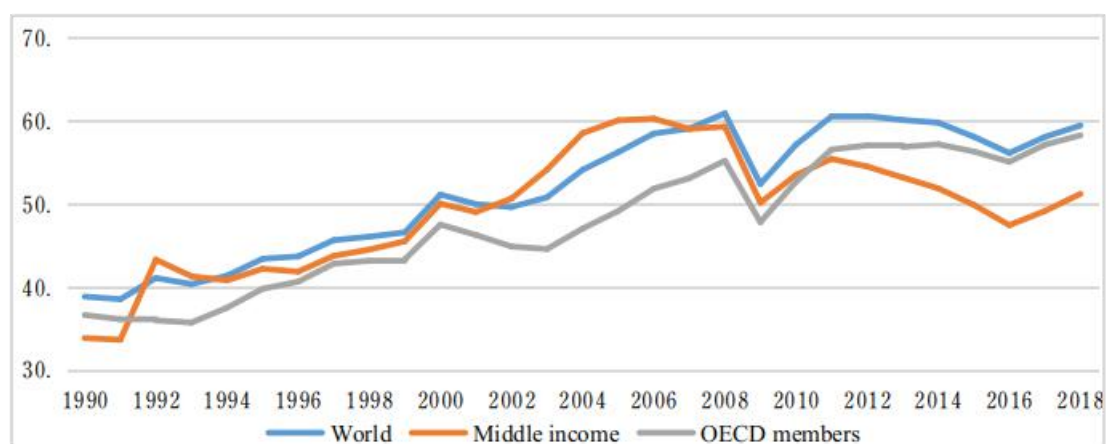
Apart from its impact on global growth, Belt and Road cooperation, by promoting green and sustainable development, could help in addressing the challenges of environmental protection and climate change. As conveyed in the Joint Communiqué of the Leaders' Roundtable of the 2<sup>nd</sup> BRF, to fulfill its objectives, Belt and Road cooperation has to promote economic, social, fiscal, financial and environmental sustainability of projects, while striking a good balance among economic growth, social progress and environmental protection. The Joint Communiqué also called for efforts to foster green development towards ecological sustainability, such as the

development of green finance, including the issuance of green bonds, the development of green technology, and exchanges of good practices on ecological and environmental policies towards a high level of environmental protection, etc. The development of Green Investment Principles for the Belt and Road and the launch of the Belt and Road Initiative International Green Development Coalition (BRIGC) are just two examples that showcase effective Belt and Road cooperation among developed and developing partner countries to deliver green and sustainable development.

## 2.2.2 A Road to an Open World Economy

The liberalization and facilitation of cross-border trade and investment, which have long been strong drivers of world economic development since the World War II, have recently been losing momentum. The rise of protectionism and growth of bilateral trade deals are challenging the multilateral trading system with the WTO at its center, leading to a slowdown in world trade growth and economic activity in many major economies in recent years. As depicted in Figure 4, world trade as a percent of GDP peaked in 2008 at 60.9 percent, but the ratio kept decreasing in subsequent years and reached a low point of 56.1 percent in 2016. Rising trade protectionism is also hindering technology spillovers, dampening productivity and hence the economic growth of emerging countries. It was estimated by the IMF in 2019 that the announced tariffs, as a result of trade conflicts, would reduce global economic output by 0.8 percent, which translates to a loss of USD700 billion by 2020.

**Figure 4 Trade as a percent of GDP of different country groups**



Source: World Bank WDI databases

It is recognized by most economists that trade is an important engine to world economic growth for it encourages specialization and improves industrial efficiency in the long run (Krueger, 1978). Moreover, trade provides a wider range of intermediate inputs which are exported from the advanced innovating countries to the less-developed countries in the global value chain. This process facilitates technology diffusion and promotes the economic takeoff of developing countries. (Grossman and Helpman, 1991; Parente and Prescott, 1994; Eaton and Kortum, 1994, 1996). Empirical evidence offered by Frankel and Romer (1999) on 63 developing and developed countries found that increasing the ratio of trade to GDP by 1 percent raised income per capita of these countries by 1.5 to 2 percent. Sachs and Warner (1995) found that the 38 developing countries that pursued economic and trade liberalization over 1975 to 1993 managed to achieve higher economic growth both in the near term and in the long run. Corroborating this, is the analysis of 141 countries undertaken by Wacziarg and Welch (2008) covering 1950 to 1998 period which confirmed that trade liberalization lifted average annual growth rate by 1.5 percentage points.

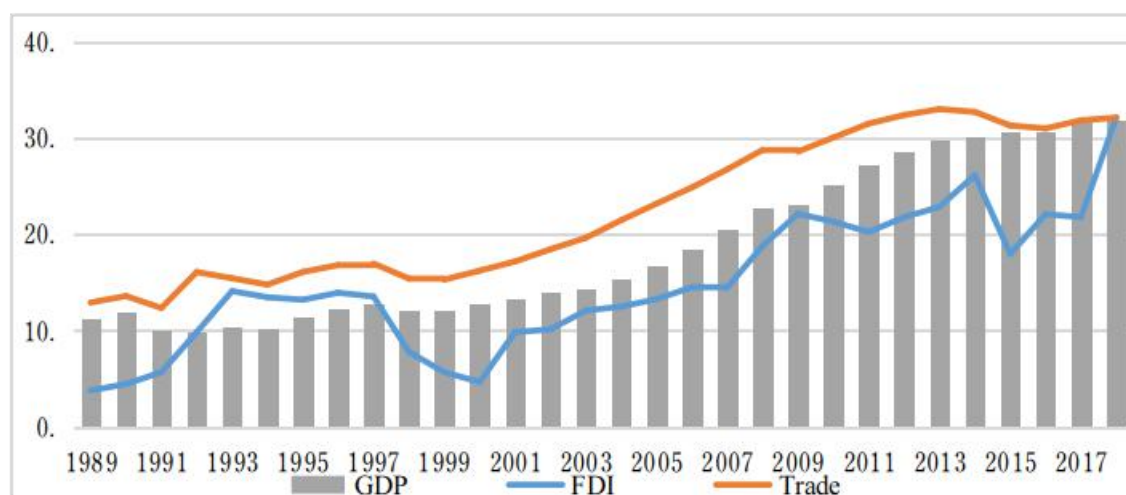
Building an open world economy through trade and investment liberalization serves the interests of all the partner countries of the Belt and Road cooperation. Integrating multi-modal infrastructure connectivity within Belt and Road cooperation helps link land-locked countries, thereby reducing logistic costs and boosting cross-regional trade. Enhancement of digital infrastructure and transnational fiber-optic highways will contribute to narrowing the digital divide, promoting e-commerce and facilitating capital mobility. To foster financial cooperation, cross border investment in financial infrastructure is critical. According to a World Bank study in 2019, Belt and Road cooperation, together with other local governance enhancements, could increase trade flows among partner countries by up to 4.1%<sup>2</sup>. As shown in Figure 5, the share of global GDP in countries along the Belt and Road rose from 11.2 percent in 1989 to 31.9 percent in 2018. The openness of these countries has raised their share to 32.1 and 32.2 percent of world trade and FDI, respectively in 2018, compared to their respective shares of 12.9 percent and 3.8 percent thirty years ago<sup>3</sup>.

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<sup>2</sup> Suprabha Nadia Rocha & Michele Ruta, Trade Effects of the New Silk Road: A Gravity Analysis, World Bank Policy Research Working Paper 8694, January 2019.

<sup>3</sup> Trade is the sum of exports and imports of goods and services. FDI is the sum of net inflows and outflows of the

**Figure 5 The share of countries along the Belt and Road in the world economy**



Source: World Bank WDI databases

Belt and Road cooperation efforts to increase the harmonization of standards and rules in project implementation can foster broader harmonization of standards and regulations across Belt and Road partner countries which, together with promoting integration of the international best practices on sustainable development, will have positive spillover. It will ensure that the cooperation is rooted in a system that is rules-based, efficient, transparent, inclusive, and environmentally sustainable, and reduces institutional barriers to cross-border trade and investment, and thereby contributes to a more open world with stronger growth potential.

### 2.2.3 A Road to Industrialization and Innovation

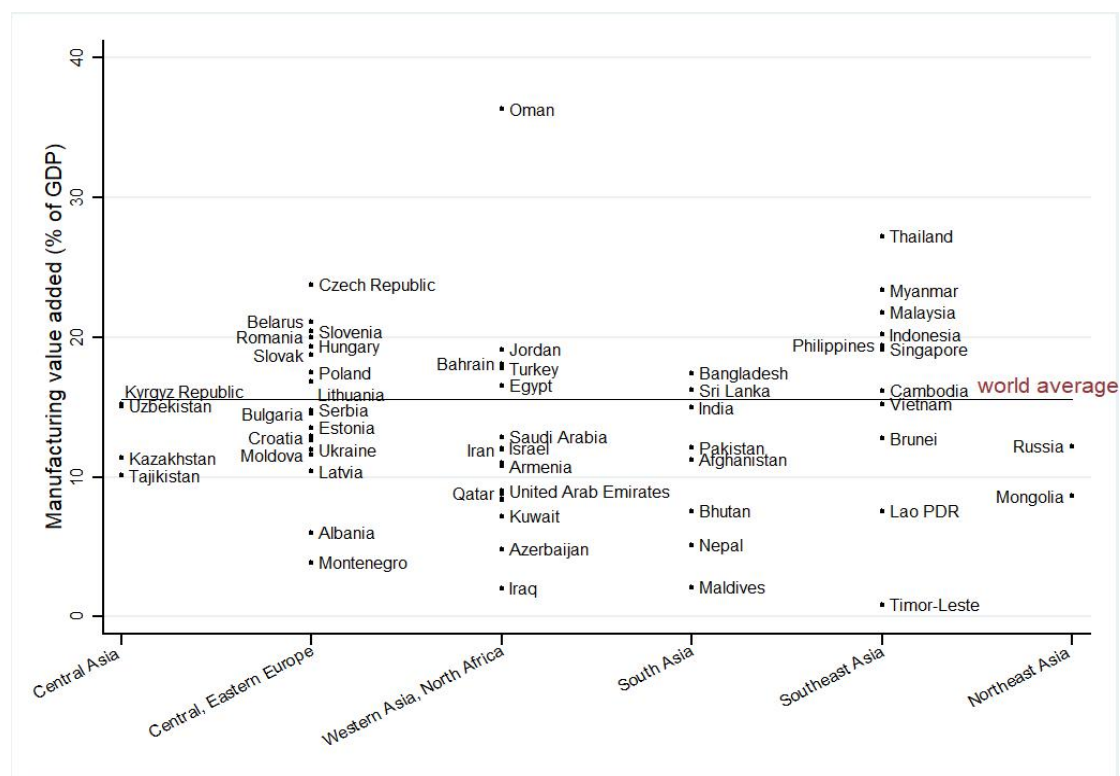
The Belt and Road cooperation partner countries are at different stages of industrialization. Some of them have well developed industrial sectors with manufacturing value added accounting for more than 20 percent of GDP, while others remain at low industrialization levels, due to either their high reliance on resource intensive sectors, or the lack of an industrial base (see Figure 6). Differences in resource endowments, industrial structure, and overall level of economic development of the Belt and Road cooperation partner countries provide a route map for industrial cooperation. By matching the resources of the industrialized countries with the countries in urgent need of capital, equipment and technologies, Belt and Road cooperation

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foreign direct investments.

boosts cross-border capital flows and technology spillover, and thus contributes to the industrialization of the countries in their early stages of economic take-off. Meanwhile, modes of cooperation that aim creatively at mitigating institutional frictions also promote innovation in corporate financing, project management, and technological advancement.

**Figure 6 Manufacturing value added as a percent of GDP for Countries along the Belt and Road (2015-2018 average)**



Source: World Bank WDI databases

International industrial cooperation is an effective way to change the economic status quo:

- (i) broadening and deepening of industrial bases which is critical to resolve the persistent stagnation and unbalanced development and redress unfair resource allocation in the world, and
- (ii) helping the less developed countries improve infrastructure, obtain technological transfer, create more jobs and upgrade their capacity for independent development.

Among the various channels of international industrial cooperation, industrial parks have proved to be an efficient way to promote the development of all partners. Through holistic and coordinated efforts to deal

with infrastructure deficiencies, procedural complexities, bureaucratic hassles, and policy barriers, industrial parks can create a conducive business environment which is good for the attraction of local and foreign investments (Aggarwal, 2006). Moreover, the industrial clusters drawn to these parks enable economies of scale for local companies and help catalyze new industrial chains, value chains and supply chains. Successful industrial parks not only generate tax revenues and attract foreign investments for the host countries, but also serve as a laboratory for trying new policies. The host countries will also have better access to the inputs that are critical for industrialization and innovation, including skilled labor, specialized services, and innovative ideas or technologies (UNIDO, 2018).

The story of China’s development after the Reform and Opening-up is a good example of how industrial parks can contribute to industrial upgrading and economic takeoff. And through Belt and Road cooperation, China’s experience can be passed on and tailored to other developing countries. Up to now, China has helped establish 82 industrial parks in 24 countries (See Table 1 for some selected landmark industrial parks). By the end of 2018, these industrial parks attracted over 4000 enterprises with an accumulated investment of US\$36.5 billion. They also contributed US\$2.4 billion taxes and 300,000 jobs for host countries, and drove industrial upgrading and economic development of these countries.

**Table 1 Selected landmark industrial parks along the Belt and Road**

Country	Name
Belarus	China-Belarus Industrial Park
Egypt	China-Egypt Suez Economic and Trade Cooperation Zone
Thailand	Thai-Chinese Rayong Industrial Zone
Cambodia	Cambodia Sihanoukville Special Economic Zone
Vietnam	Long Jiang Industrial Park
Pakistan	Haier & Ruba Economic Zone

Zambia	Zambia-China Economic & Trade Cooperation Zone
Nigeria	Lekki Free Zone
Ethiopia	Eastern Industry Zone
Russia	Sino-Russia Tomsk Forestry Economic and Trade Zone
Hungary	Central European Trade and Logistics Cooperation Zone
Laos	Vientiane Saysettha Development Zone
Indonesia	China-Indonesia Economic and Trade Cooperation Zone
Indonesia	Julong Agricultural Industry Cooperation Zone
Kyrgyzstan	Asia Star Agricultural Industry Cooperation Zone

To take China-Belarus Industrial Park “Great Stone” as an example; located at the juncture between the Eurasian Economic Union and the European Union, the park has been developing rapidly in the past decade, and was granted the status of Special Economic Zone in Belarus in early 2019. By the end of 2020, it had attracted 68 enterprises from China, Belarus, Russia, the United States, Germany and other countries, with a total investment of over US\$1.2 billion. Alongside the investment, production lines and new technologies have been brought in, and more local workers trained with new skills. According to the development plans, high-tech industries including mechanical engineering, medical equipment and materials, biotechnologies, pharmaceuticals, fine chemistry, electronics, new materials, optics and others will be introduced<sup>4</sup>. This will contribute to further industrial development, productivity improvement and technological innovation of local economy.

In February 2021, data from the Ministry of Economic Affairs of Belarus showed that the industrial park had created more than 1000 jobs, with an average wage of local employees twice that of the national average. In 2020, the total value of industrial products of the industrial park

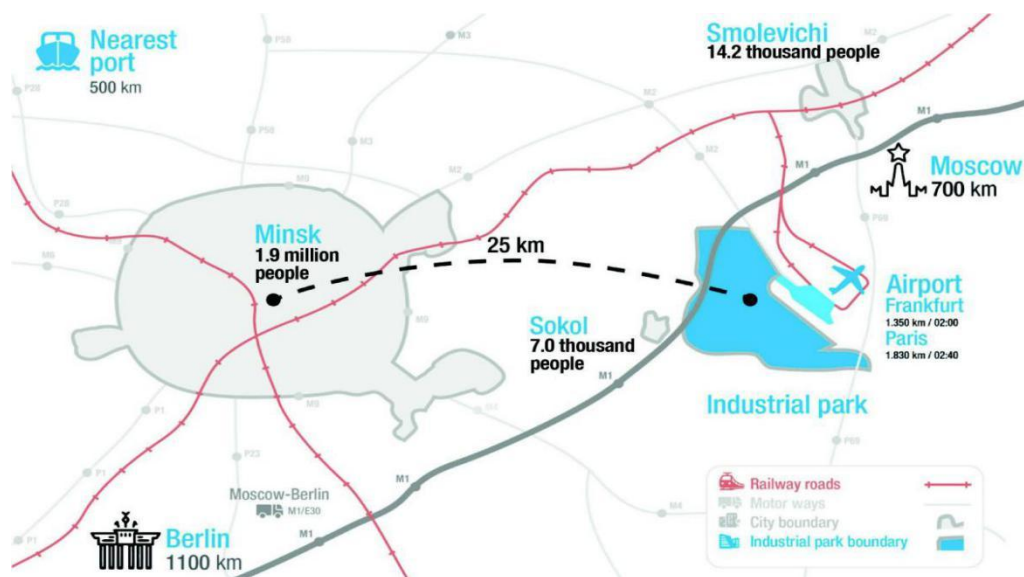
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<sup>4</sup> Referred to the official website of the Republic of Belarus <https://www.belarus.by/en/business/business-environment/industrial-park-great-stone>



reached US\$139 million, a year-on-year increase of 3.4 times; the sales income of the products saw an rise to US\$189 million, a year-on-year increase of 2.2 times, and the export value of the products grow to US\$75.8 million, a year-on-year increase of 1.3 times.

**Figure 7 The geographic location of the China-Belarus Industrial Park**



Source: EBRD (2018); The Industrial Park Development Company

## 2.2.4 A Road to Better Livelihood and Inclusiveness

As shown in Figure 8, although some countries have a relatively high standard of living judged by the Human Development Index (HDI)<sup>5</sup>, there are still many developing countries lagging behind, with HDI much lower than the world average. For countries with relatively low human development levels, Belt and Road cooperation can improve the livelihood of their people in many aspects.

Infrastructure development across different sectors is key to the improvement of living standards. By encouraging infrastructure investments in all areas, Belt and Road cooperation

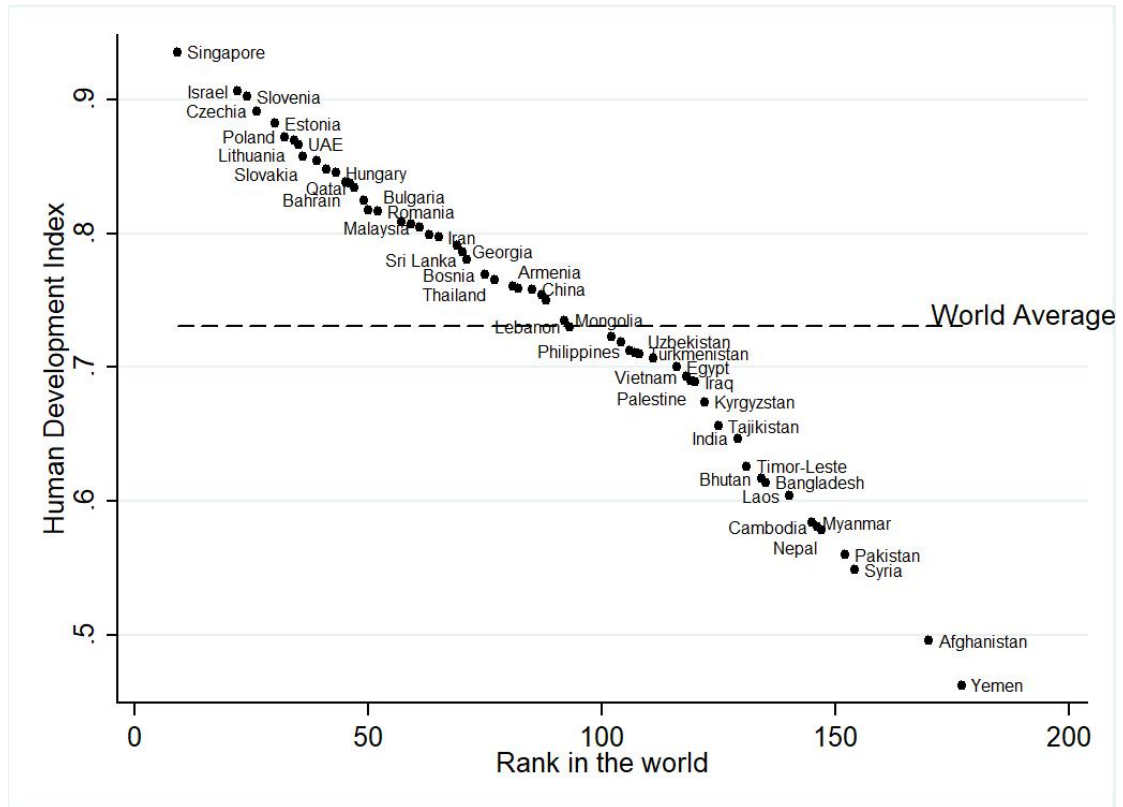
<sup>5</sup> Human Development Index was created by the United Nations to assess the overall development of a country. It is a summary measure of average achievement in key dimensions of human development: long and healthy life measured by life expectancy at birth, being knowledgeable measured by the expected years of schooling and mean years of schooling, and have a decent standard of living measured by GNI per capita (PPP). The HDI is the geometric mean of normalized indices for each of the three dimensions.

promotes economic development, improves welfare, and provides the basis for more sustained growth (ADB, 2017). For instance, electricity is essential both for economic development and for people's enjoyment of an advanced lifestyle. Telecommunication equipment facilitates people's communication and social inclusion in a digital world, while efficient water sanitation facilities guarantee clean drinking water and safeguards people's health.

Enhanced trade and investment flows built on improved infrastructure generate more business opportunities which are in turn conducive to an increase in household incomes. As estimated by the World Bank, investments under Belt and Road transport infrastructure projects, accompanied by other governance improvements, could lift 7.6 million people from extreme poverty and 32 million people from moderate poverty worldwide. As a result, estimates of the global extreme poverty rate would fall from 9.5 percent to 3.9 percent, while the moderate poverty rate declines from 25.8 percent to 10.4 percent between 2015 to 2030. This vividly showcases the capacity for Belt and Road cooperation's contribution to accelerating the implementation of the 2030 Agenda.

Industrial cooperation also provides people in the Belt and Road cooperation partner countries with more and higher value jobs. Besides wage increases in these emerging industries, local people will enjoy better job training programs, and thus see their technical and management skills enhanced in the job market. This accumulation of enhanced human capital can help generate sustained income growth, eradicate extreme poverty, and improve people's livelihood in the long run.

**Figure 8 Human development index of countries along the Belt and Road in 2018**



Source: The United Nations Development Program (UNDP)

In addition to physical infrastructure projects, a number of programs that directly support people’s livelihood were carried out. For example, through health cooperation, short term medical teams were dispatched to island countries in the Pacific, providing local people with quality medical services. Thousands of professionals in public health management and disease prevention and control were trained. Free sight rehabilitation surgeries were offered to cataract patients in Belt and Road cooperation partner countries through the ‘Brightness Action” program. In addition, the Silk Road Community Building Initiative was launched at the 2<sup>nd</sup> BRF. With a cooperation network encompassing over 60 countries with more than 300 members, the initiative aims to build 500 partnerships and develop 200 programs for people's livelihood in two years from 2019. These efforts under the Belt and Road cooperation do not only lead to better lives of the locals, but also build up closer people-to-people ties among peoples across the partner countries, paving a road of common development and shared prosperity.

## 2.2.5 A Road to Solidarity for Fighting Against COVID-19 and Achieving Economic Recovery

In 2020, in response to the tremendous impact of COVID-19 on people's lives and well-being, China and partner countries took full advantage of Belt and Road cooperation in fighting against the COVID-19, which strongly enhanced international solidarity in combating the pandemic.

Belt and Road cooperation has facilitated prompt access to medical supplies by keeping trans-national and trans-regional transport and logistic passages open. In the early days of the pandemic when access to traditional logistics routes such as international airlines, roads and ports was impeded due to pandemic prevention and control measures, the China-Europe Railway Express, which remained operational against the headwind of COVID-19, become a vital lifeline for countries along its route to access medical supplies and daily necessities in a timely manner. In 2020, a total of 12,400 freight trains were operated, delivering an increase of 55% over the same period last year. China and more than 20 countries and 90 cities in Europe were thereby connected, and 9.39 million units of medical supplies were delivered. In addition, through the Aviatric Silk Road scheme, nearly 2,000 tons of medical supplies have been shipped from China to countries around the world.

Belt and Road cooperation has enabled the sharing of experience on pandemic prevention, control and treatments, as well as medical assistance among partner countries. When China was hit hard by the pandemic, 66 Belt and Road cooperation partner countries donated facial masks, protective garments, ventilators and other medical supplies to China. In return, when the pandemic was under control domestically, China provided assistance to more than 120 partner countries, dispatched 37 medical teams to 34 countries, and organized over 70 online activities for experience sharing with a number of countries and international organizations. Furthermore, Chinese companies involved in Belt and Road projects constructed temporary hospitals in their host countries, and mobilized their manufacturing capacity to provide the medical supplies that were in urgent need locally.

More importantly, China is working with Belt and Road cooperation partner countries to

develop vaccines while ensuring their accessibility and affordability. Chinese companies have worked with their counterparts from more than 10 partner countries, including Russia, Egypt, Indonesia, Pakistan and the United Arab Emirates, in vaccine research, development and production, and have achieved hard-won gains. By mid-October 2021, China has been providing vaccine aid to 111 developing countries in urgent need and has exported vaccines to 78 countries.

In spite of the severe global economic recession caused by the pandemic, Belt and Road cooperation did not lose its momentum, but demonstrated strong resilience and vitality instead, making important contributions to the socio-economic recovery of partner countries.

Belt and Road cooperation has continued to promote trade and investment among partner countries. In 2020, trade in goods between China and countries along the Belt and Road reached US\$1.35 trillion, a year-on-year rise of 0.7%; China invested US\$17.79 billion in non-financial sectors of those countries, a year-on-year increase of 18.3%. With the help of Belt and Road cooperation, some countries in Southeast Asia, Latin America and Africa have managed to maintain or even expand their trade and economic growth during the pandemic. There is a general view in many partner countries that Belt and Road cooperation could continue to help in expanding foreign trade and investment and boosting economic recovery.

Belt and Road cooperation has helped to maintain stability of global supply chains. The pandemic forced many countries to lock down their borders for a certain period of time, severely restricting the international flows of personnel, equipment, raw materials and other production factors, and disrupting global supply chains. As an important hub within the global supply chain, China has been working with partner countries to maintain global supply chain stability and access. A number of measures have been undertaken, including establishing express passenger channels for cross-border flow of business personnel and green passages for cross-border trade in goods, enhancing air, land and sea links through interoperable and multi-modal transport, and further improving the efficiency and quality of international logistics, etc.

Belt and Road cooperation has contributed to the resumption of productive activities in partner countries. Many Belt and Road projects remained ongoing and did not lay off any workers

during the pandemic. For those had to be temporarily suspended, a majority of them were soon resumed. In addition, quite a few new projects were launched. All these have greatly supported the restoration of economic and social activities in relevant countries. For instance, 70 projects under the framework of the China-Pakistan Economic Corridor are running as usual. The Pakistan Lahore Orange Line, the Karakoram Highway Phase II (Havellian to Thakot Section) and the Peshawar-Karachi Motorway (Multan to Sukkur Section) have been completed and put into operation. The Jakarta-Bandung High-speed Railway and the China-Laos Railway are progressing smoothly. The Addis Ababa Railway, Africa's first cross-border electrified railway, continued its operation uninterrupted, even at the most difficult time of the pandemic.

***Case: Potential Areas for Belt and Road Cooperation in Latin America and the Caribbean***

Since the invitation for Latin American and Caribbean countries to join the BRI at the Second Ministerial Meeting of the China-CELAC Forum in January 2018, 19 countries<sup>6</sup> of the region have signed agreements in the framework of the initiative. The BRI offers numerous opportunities for cooperation to contribute to the region's sustainable development in the areas of transport infrastructure, renewable energy, digital connectivity, and health, among others.

Infrastructure in Latin America and the Caribbean has substantial deficiencies in terms of both quantity and quality. To close the region's economic infrastructure gap, 6% of GDP would have to be invested annually, equivalent to US\$ 6.9 trillion (in 2010 dollars) over 15 years from 2016 to 2030. However, with investment in economic infrastructure in the region of only around 2% annually, this gap remains a major limitation on growth potential (ECLAC, 2019).

Annual investment and spending requirements for transport infrastructure are 2.2% of GDP on average in the region between 2016 and 2030. Only 23% of the road network in the region is paved on average, and the funds assigned to road maintenance are limited (Sánchez and others, 2017). Increased international air and maritime traffic volumes has placed additional pressure on infrastructure. Furthermore, many rail systems have been virtually abandoned and are obsolete

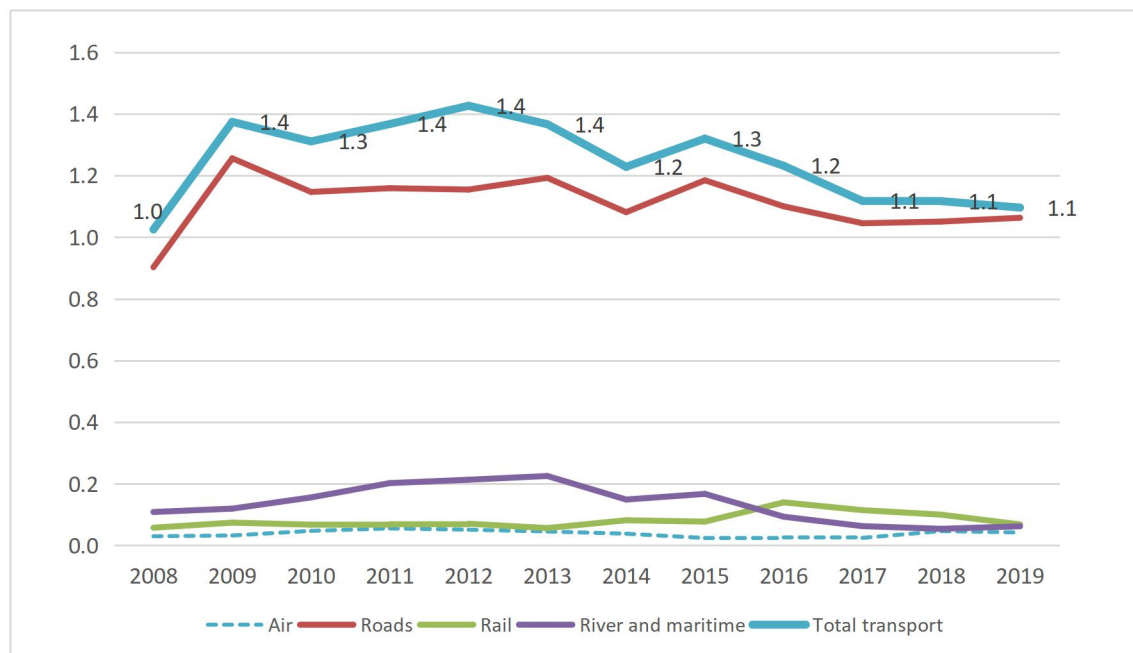
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<sup>6</sup> To date, the Latin American and Caribbean countries that have signed cooperation documents on BRI are Antigua and Barbuda, Barbados, Bolivia (Plurinational State of), Chile, Cuba, Dominica, Dominican Republic, Ecuador, Grenada, Guyana, Jamaica, Peru, Suriname, Uruguay, Venezuela (Bolivarian Republic of), Costa Rica, El Salvador, Panama, Trinidad and Tobago.

and disjointed.

Despite these needs, in the period 2008–2019, on average just 1.2% of GDP was invested annually in transport infrastructure by the public sector (see Figure 9). While the private sector has invested on average 0.3% of GDP, according to some estimates<sup>7</sup>. Both production and international trade need logistical networks and transport connections with different modal options, such as road, rail, maritime, river and air transport, which will require more and better investment in the region’s logistical infrastructure to which the BRI can contribute.

**Figure 9 Latin America and the Caribbean: public investment in transport infrastructure, 2008-2019 (Percentages of GDP)**



Source: Economic Commission for Latin America and the Caribbean (ECLAC), on the basis of Economic Infrastructure Investment Data (INFRALATAM) [online] <http://infralatam.info>.

Note: Simple average that includes the following countries: Argentina, Belize, Bolivia (Plurinational State of), Brazil, Chile, Colombia, Costa Rica, Dominican Republic, Ecuador, El Salvador, Guatemala, Guyana, Haiti, Honduras, Mexico, Nicaragua, Panama, Paraguay, Peru, Trinidad and Tobago and Uruguay.

Energy infrastructure, particularly in non-conventional renewable energies (biomass, solar, wind, geothermal and biogas), is another area in which Belt and Road cooperation could yield

<sup>7</sup> Data from 2008 to 2017, calculated by Economic Commission for Latin America and the Caribbean (ECLAC), on the basis of Private Participation in Infrastructure (PPI) Project Database.

important development outcomes for the region. Latin America and the Caribbean will need to significantly increase energy generation in the coming years as demand for electricity is expected to grow by 91% by 2040 (Balza, Espinasa and Serebrisky, 2016). Annual investment required through 2030 to achieve universal electricity coverage to the region's citizens would amount to 1.3% of GDP annually (ECLAC, 2021a).

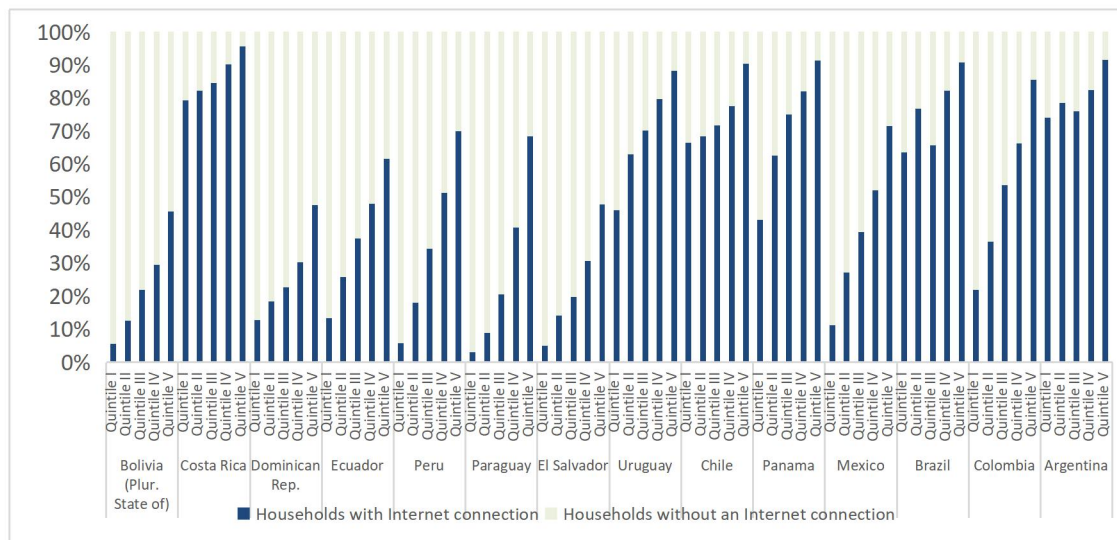
Greater reliance on renewable energy sources will be crucial to both supporting the region's growing demand for electricity and upholding its commitments under the Paris Agreement to reduce carbon emissions. The Economic Commission for Latin America and the Caribbean (ECLAC) has analyzed the complementarity of the region's electrical systems and the use of renewable energies and finds that the region's energy demands could be met most economically by incorporating a high proportion of renewable energy and increasing the regional interconnection of the electricity grid. Annual investments of close to 1% of the region's GDP from 2019 to 2032 to this end would promote both the region's energy security and provide environmental benefits.

The development of a sustainable electricity infrastructure to advance regional interconnection based on renewable energy is also an opportunity to create approximately 7 million new skilled and unskilled jobs in the region by 2030, based on the deployment of solar and wind power and biomass technologies. Moreover, if the renewable energy capital goods industry were to be located in Latin America and the Caribbean, the manufacture of the necessary solar panels and wind turbines alone would create almost 1 million new jobs (ECLAC, 2020a).

To enable the region's full participation in the digital economy, improving the digital infrastructure of Latin America and the Caribbean is imperative. Digital technologies have emerged as crucial tools to address the effects of the COVID-19 pandemic and have demonstrated their importance for achieving the 2030 Agenda. However, the benefits are neither automatic nor equal throughout the population, with large differences by income and location (see Figure 10). One in three inhabitants of Latin America and the Caribbean has limited or no access to digital technologies. Furthermore, 67% of urban households are connected to the Internet, while in rural areas only 23% are (ECLAC, 2021b).



**Figure 10 Latin America (14 countries): households with and without an Internet connection, by income quintile, 2019<sup>a</sup> (percentages)**



Source: Economic Commission for Latin America and the Caribbean (ECLAC)

Note: Data are for 2019 for Bolivia (Plurinational State of), Costa Rica, Dominican Republic, Peru, Paraguay, El Salvador, Uruguay, and Panama. Data are for 2018 for Argentina, Brazil, and Colombia. Data for Chile and Ecuador are for 2017.

Achieving universal access for an inclusive digital society in Latin America and the Caribbean would require investment of an average of about 1% of GDP per year to ensure access for unconnected households, with large differences between countries (ECLAC, 2020b). Belt and Road cooperation in the deployment of advanced digital infrastructure, such as quality broadband, 5G networks, international e-commerce and digital payment platforms, smart cities and data centers, for example, would help promote digital solutions to meet the region’s structural challenges in production, inclusion and environmental sustainability.

Finally, there exists greater scope for cooperation in health matters between China and Latin America and the Caribbean. The pandemic has exposed the excessive dependence of Latin America and the Caribbean on the external supply of essential products for the health of its population: in 2019, 88% of its imports of medical products came from outside the region. Although the region already has nascent healthcare industry producers, without an adequate base of companies to commercialize innovations, the region has not been able to capitalize on its research advances.

During the pandemic, China has been a vital partner for the region. It has donated millions

of units of emergency medical equipment and supplies to countries throughout the region, and as of July 2021, Latin America and the Caribbean is the biggest recipient per capita of Chinese COVID-19 vaccines, with signed agreements for over 300 million doses. Belt and Road partnerships to drive the development of the sector could accelerate the productive capacities for vaccine and medicine manufacturing and accelerate their distribution in the region. The health-care industry's further development would generate high-quality jobs with productive linkages and drive technical progress given its strong emphasis on research and development and considerable knowledge externalities.

Deeper cooperation between Latin America and the Caribbean and China under the BRI can help tackle the region's persistent development challenges in many areas. Among these, investments in transport infrastructure, renewable energy, digital connectivity, and health can promote technological upgrading and generate high-quality jobs to contribute to Latin America and the Caribbean's long-term sustainable development.

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## **Chapter 3 Recommendations on High-quality Belt and Road Cooperation**

The 2019 BRF Advisory Council Meeting had in-depth discussions on promoting high-quality Belt and Road cooperation and building global partnerships of connectivity. During the 2020 BRF Advisory Council Meeting, Council members further exchanged views on building a health silk road, a green silk road, and a digital silk road, as well as the opportunities for Belt and Road cooperation created by China's endeavor towards a new development paradigm. Based on these discussions, the Advisory Council members put forward the following recommendations for further development of high-quality Belt and Road cooperation.

### **3.1 Policy Recommendations from the 2019 BRF Advisory Council Meeting**

#### **3.1.1 Implementing High-quality Projects**

The Advisory Council members agreed that, as stipulated in the Joint Communiqué of the Leaders' Roundtable of the 2nd BRF, Belt and Road cooperation has to focus on promoting high-quality infrastructure projects which are viable, affordable, accessible, inclusive, bankable and investible, while pursuing economic growth, social progress and environmental protection. Projects pursued should draw upon universally accepted international norms, standards and best practices, and ensure economic, social, fiscal, financial and environmental sustainability, while delivering broad-based benefits over their entire life-cycle, so as to contribute to sustainable development of partner countries.

Financing aspects were deliberated by the Advisory Council. It was noted that China only accounts for about 10 percent of Sri Lanka's total debt and 15 percent of that of heavily indebted African countries. The debt burden of most participating countries has arisen because of a combination of factors including low domestic revenue collection, growth in public expenditures and high domestic debt. As highlighted by some Advisory Council members, the alleged "debt trap" problem of the BRI is overstated. The "underdevelopment trap" rather than the "debt trap"

is more a reality for many developing countries especially African countries. Across low and middle income countries as well as emerging markets, the financing gap to achieve the Sustainable Development Goals (SDGs) is huge. To accelerate SDGs, private sector investment and involvement of multilateral development banks in BRI project financing need to be enhanced. The award-winning Karot Hydropower Project in Pakistan was showcased as a good example of a high-quality BRI project which meets both the host country's development needs and the financing strategy of the World Bank Group.

***Case: Karot Hydropower Project in Pakistan***

Power shortage has long been a severe problem in Pakistan. In 2019, at least 20% of Pakistan's population lacked adequate electricity supply. With an expected annual energy output of about 3.2 billion KWH, the Karot hydropower project aims to meet the energy needs of 5 million people at a lower levelized cost compared to thermal alternatives such as fuel-oil based generation, and will cut annual carbon dioxide emission by around 3.5 million tons. The project is expected to provide sustainable and stable energy supply and alleviate the significant power shortages suffered in Pakistan.<sup>8</sup> The project has provided nearly 5,000 job opportunities to local people during the construction period. It will further benefit the country's economy by paying 23 million U.S. dollars in taxes to the Pakistani government.

The total project cost is estimated at US\$2 billion which is jointly funded by International Finance Corporation (IFC) of the World Bank Group and a consortium of China's financial institutional lenders. With IFC's extensive experience in financing power projects in Pakistan, including knowledge sharing and financial assistance, the project fully complies with IFC's Performance Standards. In particular, IFC reviewed and commented on all environmental and social studies prepared for the project, and ensured necessary mitigation measures. Relevant issues included, amongst others, assessment and management of environmental and social risks and impacts, labor and working conditions, resource efficiency and pollution prevention, community health, safety and security, land acquisition and involuntary resettlement, biodiversity conservation and sustainable management of living natural resources, and cultural

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<sup>8</sup> <https://data.worldbank.org/indicator/>

heritage. The project was recognized by IJGlobal, a world-renowned journal on infrastructure and project finance, as the Hydro Deal of the Year (2017) for its best-in-class transaction.

**Figure 11 Overview of the Karot Hydropower Project**



Source: people.cn

### 3.1.2 Improving Belt and Road Cooperation Partners Network

The Advisory Council members complimented the progress made in expanding the Belt and Road cooperation partner network and encouraged participation of more partners. The Advisory Council expected the BRF to catalyze more multilateral cooperation under the BRI including the development of multilateral sectoral platforms, and welcomed the efforts of UN agencies in launching and participating in the activities of these platforms, such as the Belt and Road Initiative International Green Development Coalition (BRIGC) co-sponsored by UNEP and UNIDO.

A majority of Advisory Council members advised that a multi-dimension cooperation network should be established among partner countries, multilateral development banks and the private sector, so as to better provide vital financial, technological, and other supports to BRI projects. Recognizing the benefits derived from the involvement in BRI projects of some leading international companies from developed countries, such as Standard Chartered and General

Electric, some Advisory Council members recommended that the Belt and Road cooperation network should be further expanded to facilitate greater participation of the business sector, especially for companies from Europe. Strengthening networks among academic institutions and civil society was also recommended.

***Case: Standard Chartered's Involvement in BRI Projects***

Standard Chartered has been providing financial support and a range of services for BRI projects. It has developed a systematic approach to analyze all types of risks involved in BRI projects and has worked with the Multilateral Investment Guarantee Agency of the World Bank Group to provide political risk insurance. In 2018, Standard Chartered and its partners were involved in nearly 100 BRI projects with a total financing size exceeding US\$20 billion. The 700MW concentrated solar power (CSP) project in Dubai, which will be the world's largest single site CSP project with a total cost of US\$4.3 billion, illustrates one important role played by Standard Chartered. As documentation bank, Standard Chartered led a banking group comprising not only banks from China and United Arab Emirates but also those from other countries, such as Natixis from France, in structuring the transaction right since the pre-bid stage, managing to optimize the shareholder returns and financing structure, so as to ensure the overall bankability and a robust risk framework of the project.

***Case: The Belt and Road Initiative International Green Development Coalition (BRIGC)***

The Belt and Road Initiative International Green Development Coalition (BRIGC) was launched during the 2nd BRF. It is an open, inclusive and voluntary international network which brought together the environmental expertise of all partners to ensure that the BRI brings long-term green and sustainable development to all countries concerned in support of the 2030 Agenda for Sustainable Development. As of mid-October 2021, BRIGC brings together 152 partners, including environmental authorities of 26 UN Member States, 9 intergovernmental organizations (including 4 UN agencies), over 80 non-governmental organizations and research institutions along with 32 enterprises.

The BRIGC aims to help integrate sustainable development considerations throughout the design, execution, and long-term implementation of BRI projects. It is serving as a platform for



policy dialogues and communication, as well as for data exchanges and information sharing on ecological conservation, environmental protection, and the prevention and mitigation of pollution. The coalition is also committed to facilitating cooperation on green technology, including its exchange and transfer, which is fundamental for the green development of the BRI.

### 3.1.3 Promoting Global Partnership on Connectivity

The Advisory Council members agreed that cooperation can be demonstrated between the BRI and most other national, regional, and global development plans and initiatives on connectivity, including, among others, the 2030 Agenda, the Agenda 2063 of the African Union, the development plan of the Eurasian Economic Union, the Greater Eurasian Partnership, the Master Plan on ASEAN Connectivity, the APEC Connectivity Blueprint, and the EU Strategy on Connecting Europe and Asia.

Recognizing that the Belt and Road Dialogue for China and Africa Cooperation and the China-Caribbean Conference for Cooperation on the BRI are among the follow-ups of the 2<sup>nd</sup> BRF, the Advisory Council recommended that more regional dialogues on promoting connectivity through Belt and Road cooperation could be held. Some Advisory Council members suggested that, building upon various joint connectivity projects between China and ASEAN countries, a China-ASEAN cooperation center on connectivity could be established. Some members highlighted that the cooperation between China and Eurasian Economic Union (EEU), such as cooperation in green and digital areas, could be conducive to effectively promoting projects of the BRI and EEU as well as the proposed Greater Eurasian Partnership in the future. Some also suggested holding BRI-related activities, such as expert group meetings and expos in partner countries that have benefited most from the BRI, so as to showcase the positive impacts of the Belt and Road cooperation on the ground.

Some Advisory Council members suggested that the global partnership on connectivity under the BRI has the potential to promote a vehicle of “new multilateralism for the digital age”. This could help partner countries build global governance for the age of digital economy. For

example, a partnership on digital connectivity could be established for new technologies such as block chain technology in order to develop cross-border payment system and digital currencies. Notwithstanding the clear benefits, some members pointed to significant obstacles surrounding global cooperation around new technologies, such as national security, privacy protection, digital governance, and digital literacy, etc. Therefore, as a practical step, the current priority could be advancing the cooperation on digital infrastructure and capacity building to maximize the benefits of digital connectivity.

***Case: Belt and Road Dialogue for China and Africa Cooperation and the China-Caribbean Conference for Cooperation on the BRI***

Two BRI regional dialogues/conferences were held in 2019, to further promote synergies between the BRI and regional development plans and foster regional cooperation and integration.

One is the Belt and Road Dialogue for China-Africa Cooperation, jointly held by the African Union (AU) and China in Ethiopia in June, which aims to enhance policy coordination between the two parties and promote connectivity among African countries. By referencing a number of BRI projects that are currently under implementation in Africa, including railways, roads, bridges, airports, seaports and industrial parks, the dialogue deliberated on the vital role that the BRI is playing in spurring Africa's overall connectivity as well as digital economy, energy and industrial development.

The other is the China-Caribbean Conference for Cooperation on the BRI which was held in Grenada in October. High level government representatives from Antigua and Barbuda, Bahamas, Barbados, Dominica, Guyana, Jamaica, Suriname, and Trinidad and Tobago participated in the conference. The joint statement agreed by the conference is the first Belt and Road cooperation document adopted at the regional level. It not only provided guidance for deepening Belt and Road cooperation between China and the Caribbean region, but also offered a role model for such cooperation between China and other regions.

### 3.1.4 Contributing to World Economic Growth

The Advisory Council members agreed that Belt and Road cooperation had demonstrated its ability to produce enormous economic benefits. According to a World Bank report, transport infrastructure projects along Belt and Road economic corridors, accompanied by other local governance improvements, are estimated to increase global GDP by up to 2.9 percent—up to 2.6 percent for non-Belt and Road corridor economies and up to 3.4 percent for corridor economies. Taking into account that the current scope of Belt and Road cooperation and the number of cooperation partners are much wider than those covered by the above report, the Advisory Council believed that the overall contribution of the BRI to world economic growth could be even greater if all partners remain committed to and invested more into Belt and Road cooperation, while collectively addressing risks and challenges.

Some Advisory Council members underscored that infrastructure deficit and poor connectivity severely constrained Africa's development and its integration into the global economy, and suggested that the BRI continues its support for African connectivity and catalyze economic growth through the development of economic corridors, transportation hubs, and industrial parks. The China-Egypt TEDA Suez Economic and Trade Cooperation Zone was shown as an example of the contribution made by Belt and Road projects to advance local growth.

Some Advisory Council members stressed that infrastructure projects need to be complemented by supporting reform measures that transform the “soft elements” of the projects, such as procurement standards, clean and green norms, and multilateral cooperation, so as to fully realize the benefit of infrastructure development. Some other members suggested that measurable indicators should be developed so as to make the socioeconomic impact of the BRI more visible.

#### ***Case: Egypt's Suez Canal Economic Zone (SCZone)***

The Suez Canal Economic Zone (SCZone), one of Egypt's megaprojects, is located close to Ain Sokhna Port, approximately 120 kilometers from Cairo. The zone is next to the Suez Canal, one of the world's busiest waterways, which carries nearly 10 percent of global trade, or 18000 ships every year. The SCZone is made up of six ports and four industrial parks, including

China-Egypt TEDA Suez Economic and Trade Cooperation Zone (TEDA Suez), which covers an area of 7.34 square kilometers. The first phase of TEDA Suez was completed in 2014 with an area of 1.34 square kilometers. So far, it has attracted 85 enterprises with a cumulative investment of more than US\$1 billion, creating US\$1.2 billion output value and some 4000 local jobs.

**Figure 12 A Sign of the China-Egypt Suez Economic and Trade Cooperation Zone**



Source: Xinhua

Jushi Group, the largest fiberglass manufacturer in the world, set up its Egypt branch in TEDA Suez with a production capability of 200 thousand tons of fiberglass, making Egypt one of the largest fiberglass producers in the world. With a total investment of more than US\$600 million, Jushi Egypt has not only achieved an annual output value of over US\$220 million and an annual export value of about US\$200 million, but also provided more than 2000 local jobs. Another flagship enterprise residing in TEDA Suez is XD-EGEMAC, a joint venture between EGEMAC, an Egyptian company, and XD group from China. XD-EGEMAC is the first company that could manufacture high voltage equipment for up to 550kV in the Middle East and Africa. So far it has participated in the construction of 18 substations and achieved sales revenue of nearly US\$100 million in 2019.

TEDA Suez's second phase started in 2016, costing US\$230 million in total. According to the

development plan, it aims to attract around 150 enterprises with an overall investment of US\$2 billion, and create 30,000 to 40,000 local jobs. So far, eight leading enterprises in relevant industries have come on board, bringing in about US\$200 million investment.

### 3.1.5 Fostering an Open World Economy

The Advisory Council members agreed that more connectivity means greater economic interdependence. To contribute to this, Belt and Road cooperation should be rooted in a rules-based, open, transparent and non-discriminatory multilateral trading system with WTO at its core. While avoiding protectionism, unilateralism and other practices incompatible with WTO rules, more practical cooperation, along the lines noted above, among Belt and Road partners in trade and investment liberalization and facilitation is needed. The Mombasa-Nairobi Standard Gauge Railway (SGR) was highlighted by some Advisory Council members as a good example for its contribution to furthering economic integration of East Africa into the global economy.

Observing current trends in some countries against globalization, some Advisory Council members proposed that the BRI should make regional economic integration one of its priorities, noting in particular how such integration has helped to facilitate customs clearance of goods and cross-border movement of personnel. The China-Europe Railway Express could be taken as a model for this kind of endeavor. Some other members recommended that Belt and Road cooperation could learn from APEC, and launch certain schemes similar to the APEC Business Travel Card to facilitate the mobility of people. The setup of Belt and Road Rapid Entry and Exit Lanes at land ports and airports of certain partner countries was recognized as an initial effort in this regard.

Some other members suggested that global training centers could be established to cultivate talent and help partner countries better manage BRI projects. A good example was the China-IMF Capacity Development Center collaboration between the IMF and the People's Bank of China, which has trained hundreds of staff from 45 partner countries on improving macro-economic and financial policy framework.

***Case: Economic Impact of the Mombasa-Nairobi SGR and the Nairobi-Malaba Line***

The Standard Gauge Railway (SGR) project from Mombasa to Nairobi was completed in May 2017 and is fully operational now. It was recognized as one of the global best projects by Engineering News-Record (ENR)'s in 2018. More than 76,000 Kenyans have been employed since the construction of the railway started, with over 1000 local suppliers contracted for a range of products or services, including building materials, machinery and equipment. By July 2020, Mombasa-Nairobi SGR has offered service to 4.3 million passengers and transported more than 9.3 million tons of cargo.

Before the completion of this project, merely 5% of the Port of Mombasa's throughput was transshipped by railway. Now it is expected that by 2030, this railway will carry 70% of the port's freight by volume. The 487.5-kilometer Nairobi-Malaba Line is the extension of the Mombasa-Nairobi SGR. It starts from Nairobi, heads northwest across the Great Rift Valley, passes through Kisumu, and ends at Malaba, a border town close to Uganda. The designed speed of passenger trains is 120 km/h and that of freight trains is 80 km/h. The Nairobi-Malaba SGR, with a total investment of US\$7 billion, is expected to connect to other standard gauge railways in Uganda, Rwanda, Burundi, South Sudan and eastern part of the Democratic Republic of the Congo, promoting connectivity in the East African region.

The Nairobi-Naivasha Section, the first phase of the Nairobi-Malaba Line, was put into operation on 16 October 2019. The Naivasha Inland Container Port, which includes the railway yard, the container yard, and tie lines, was also completed as a supplementary project. The yard itself has the potential to create nearly 5000 local jobs. The first phase of the Nairobi-Malaba Line will greatly enhance cargo services for southwestern Kenya, and effectively lower logistics cost both in and outside Kenya.

### 3.1.6 Further Accelerating the Implementation of the UN 2030 Agenda

The Advisory Council members agreed that further alignment between UN agencies' programs and the BRI would accelerate the achievement of the Sustainable Development Goals (SDGs) and create more opportunities for cooperation in green development, poverty reduction, technology and innovation, digital economy, anti-corruption, and addressing climate change.

Some members believed that in order to fully achieve the objectives of the SDGs, it is essential for Belt and Road cooperation to focus on promoting both hard infrastructure and soft connectivity. It was also suggested by certain members that SDGs should be considered as a framework to assess the role played by Belt and Road projects in environmental protection and social progress. In particular, infrastructure construction should put emphasis on sustainability and address climate change through measures such as “decarbonization” and “carbon neutrality”.

The Advisory Council expressed encouragement for greater cooperation between the BRI and the UN, noting many successes to date. Some examples included: UNDP, UNIDO, ESCAP, and China have launched the Belt and Road Green Lighting Initiative; UNESCO and China initiated and set up the Silk Road Research Grant project to support young researchers and scholars; United Nations Children’s Fund and China jointly launched the Declaration on Accelerating the Sustainable Development Goals for Children through Shared Development in BRI partner countries; the International Telecommunication Union and Export-Import Bank of China has signed an MOU for bridging the digital divide to promote the 2030 Agenda. The establishment of a network of Sustainable Investment Promotion (SIP) facilities by UNDP (see below) is another good example showing how countries partnering in the BRI can advance the implementation of the 2030 Agenda.

***Case: UNDP Sustainable Investment Promotion Facilities Project***

The Belt and Road Initiative Sustainable Investment Promotion Facilities Project (BRI-SIP) is supported by the UN Peace and Development Trust Fund. It works as a platform for knowledge sharing and capacity building that facilitates the incorporation of environmental, social and governance factors into policy formulation and decision-making, in order to leverage inclusive and sustainable investments. The short-term deliverables of the project align with the following SDGs: SDG17 (global partnership for sustainable development), SDG8 (decent work and economic growth) and SDG9 (industry, innovation and infrastructure). In the long term, the project would also support SDG1 (no poverty), SDG9 (industry, innovation and infrastructure), SDG11 (sustainable cities and communities), SDG13 (effectively addressing climate change) and SDG16 (peace, justice and effective institutions).

Ethiopia is the first pilot country of BRI-SIP. With the second largest population in Africa, the country has recorded an average annual GDP growth rate of over 10% for more than a decade. It has formulated several growth and transformation plans to promote sustainable and inclusive growth through massive industrialization, with a goal of attaining middle income status by 2025. The pilot results of BRI-SIP in support of the national development and capacity building of Ethiopia can positively impact other BRI partner countries through tailored modification and replication.

Much progress in BRI-SIP was made in 2019. For instance, two sets of events (SIP Forum and China-Ethiopia High-level Dialogue) were organized to increase awareness and mutual understandings among multiple targeted stakeholders. The online information hub (SIP Platform) will be integrated with the government's existing information platform to facilitate matching local needs against investment opportunities and reduce transaction costs. A diagnostic study on ESG/sustainability aspects of investment promotion and facilitation is currently on-going.

### 3.1.7 Strengthening Public Diplomacy for Belt and Road Cooperation

The Advisory Council members stressed the need to strengthen public diplomacy to clarify misunderstandings surrounding the BRI, and to rebut groundless negative reports. Some members noted that many people in European and African countries do not know much about the BRI, and the media often misleads the public with misreporting, suspicion and negative propaganda. In view of this, there were suggestions to organize professional media campaigns to raise public awareness of the objectives of the BRI and provide accurate feedback on outcomes, developments and benefits of the BRI on economies and their people. It was noted as encouraging that a number of media organizations from partner countries and regions have established the Belt and Road News Network which has offered helpful and candid assessments and promoted the BRI from a balanced perspective.

Several members advised that BRI should support its messaging through publishing impact analysis backed by sound evidence, high-quality data, solid research and strong analytics, so as to ensure that the public is accurately informed. Therefore, it was stressed that there is a need to improve the transparency of Belt and Road projects through establishing a database of reliable



information and engaging with quality analysts, to ensure high quality research for public consumption is made available on a timely basis. The database should cover all the BRI projects and offer details such as financing, partnerships, construction periods, and the number of jobs created locally, while offering insight into the environmental, social, governance and SDG impacts with supporting analysis. The establishment of such a database could ideally be constructed in collaboration with one or more respected international institutions to promote better data availability, authority and usage.

Some early attempts at building information and data sharing platforms were noted with encouragement. For example, the Ministry of Ecology and Environment of China has sponsored the establishment of the BRI Environmental Big Data Platform. China Customs has established a Belt and Road customs information sharing platform. News agencies, publishers, academic institutions, think tanks, and professional associations from partner countries have co-founded collaborative alliances and organizations, such as the Belt and Road Studies Network, the Belt and Road Publishing Cooperation, the Belt and Road Initiative Documentary Consortium, and the Belt and Road Economic Information Partnership. With help from these platforms, the positive impacts of the BRI could be accurately demonstrated.

Some other members suggested strengthening communication with political parties, youth, and non-governmental organizations in partner countries, so as to increase awareness and recognition of the BRI among stakeholders. To further strengthen the multilateral nature of the BRI, it was recognized how helpful it would be for partner countries to reinforce shared ownership of the BRI, and to be more proactive in ensuring effective BRI communication and acting collectively to refute false accusations.

### 3.1.8 Harmonizing Implementation of High Standards with Local Circumstance

Advisory Council members agreed that BRI projects must adhere to high standards, while taking into account national circumstances of partner countries. It was recognized that each country needs some flexibility in developing appropriate standards according to their national conditions. Pursuit of the highest standards should not be allowed to form unwarranted obstacles that constrain the development of developing countries. Taking standards in energy

investment as an example, some members emphasized that, while de-carbonization should be pursued worldwide to meet the objectives of the Paris Agreement, accessibility, affordability and diversification of energy are often more critical, particularly in low income countries, and BRI projects often represented significant improvement over the alternatives that would have been pursued absent BRI investment. It was agreed more options should be explored to balance environmental requirements and fiscal pressures. Some other members stressed that, for African countries, high standards should not unduly limit their financial access. If certain high standards are pursued beyond developing countries' current stage of development, developing countries should, as it was suggested, have some flexibility for a longer moratorium before full implementation. Whenever leading international rules and standards are being emphasized, equal attention should be paid to the necessary timetable for capacity building to ensure effective implementation of such high standards. Thus, it is important for developing countries to have the ability to apply workable and realistic standards initially within a capacity building agenda, so that they will be able to adopt higher standards step by step. It was noted that third parties, including the International Finance Corporation and African Development Bank, could help African countries in capacity building.

There was also a suggestion from certain members that the BRI should continue its ground work on rules, standards and rating frameworks, which could contribute to the international standard setting process. Some initial mechanisms, guidelines, standards and platforms on various topics were agreed to be worth noting. For instance, the Guiding Principles on Financing the Development of the Belt and Road and the BRI Debt Sustainability Analysis Framework had been issued to improve the policies and standards system related to BRI financing and debt sustainability. The Green Investment Principles for the Belt and Road and the BRI International Green Development Coalition have been established to promote green development. BRI partner countries have also begun to discuss some unified standards. For example, the Standard Information Platform Contributed by the Belt and Road Countries has been initiated to strengthen the exchange and sharing of standards information among countries. In order to recognize and promote best practices in infrastructure construction and other fields, it was proposed by some members that the BRI could create its own awards in accordance with its

standards to illustrate the progress being achieved in infrastructure development and other fields.

## 3.2 Policy Recommendations from the 2020 BRF Advisory Council Meeting

### 3.2.1 Strengthening Cooperation on Vaccines

The Advisory Council members generally agreed that the core task of building a health silk road at present is to effectively respond to the COVID-19 pandemic. And the uppermost priority is to promote cooperation on vaccines as all countries have attached great importance to the vital role of vaccines in combating the pandemic, recovering the economy, and restoring people-to-people exchanges and international cooperation. Some members pointed out that the COVID-19 vaccine will be the first vaccine that must be provided to all people since smallpox vaccination. Therefore, it involves a series of issues such as vaccine research and development (R&D), production, distribution, transportation and storage. Consequently, it is important to strengthen multilateral cooperation, and to enhance support for international organizations such as the World Health Organization. Meanwhile, vaccination in poor and less-developed regions must not be neglected, and the affordability of universal vaccination should be ensured while observing international standards.

Some members suggested that support for vaccination in Africa and Latin America should be strengthened, including through joint vaccine R&D, building up the vaccine industry in regions concerned, and helping countries improve vaccine distribution channels, through improving the infrastructure for vaccine storage and transportation, and providing capacity building for medical personnel. Some other members pointed out that the pandemic has exposed the absence of pharmaceutical manufacturing capacity in developing countries. It is necessary not only to ensure the import of vaccines and drugs to the countries concerned, but also to make efforts to help them strengthen their own pharmaceutical R&D and production, and so enhance the role of the pharmaceutical industry in the national economy.

Some members also recommended that one of the best ways for the Belt and Road cooperation to enhance the accessibility of COVID-19 vaccines could be enabling licencing and local manufacturing of the vaccines. It was mentioned that currently there are only several approved COVID-19 vaccine manufacturers globally expected to provide vaccines timely for 7.9 billion people, and vaccine rollout is still a challenge in many parts of the world, particularly in Africa. Developing countries, e.g. those in Africa, do not have enough resources to address issues relating to the pandemic such as the capacity to manufacture the vaccines, the availability of robust healthcare systems and the financial capability to procure vaccines in bulk from the manufacturer. Therefore, the only real solution at the global level is to scale up manufacturing capacity in as many places as possible and promote the idea of compulsory licensing. This could also potentially solve possible issues that may come up around pricing of vaccines. It was introduced as an example that Egypt is set to begin production of 60 million doses of the Chinese Sinovac COVID-19 vaccine in July 2021.

***Case: China's Involvement in International Vaccine Cooperation***

Since the outbreak of the COVID-19, Chinese vaccine R&D enterprises, research institutes and relevant agencies have been "racing against the virus", carrying out vaccine R&D according to five different technology roadmaps simultaneously: inactivated vaccines, recombinant protein vaccines, adenovirus vector vaccines, vaccines using attenuated influenza virus as vectors, and nucleic acid vaccines. On 2 April 2020, one of China's COVID-19 vaccines was approved for Phase I and II clinical trials, which marked the first in the world. On 23 June 2020, one of China's COVID-19 vaccines became the world's first one to start Phase III clinical trials. Since July 2020, several China's vaccines have conducted Phase III clinical trials in different countries one after another.

At present, the inactivated vaccines produced by both Beijing Institute of Biological Products and Wuhan Institute of Biological Products of China National Biotec Group (CNBG), a subsidiary of Sinopharm, the inactivated vaccine produced by Sinovac Biotech, and the adenovirus vector vaccine produced by CanSino Biologics have been approved for conditional marketing, while the recombinant protein vaccine produced by Zhifei Longcom Biopharmaceutical has been approved for emergency use. More than 100 countries have authorized the use of Chinese vaccines. The

Sinopharm vaccine produced by Beijing Institute of Biological Products of CNBG and Sinovac vaccine have been listed for emergency use by the WHO.

In order to fulfill the announcement made by Chinese President Xi Jinping at the 73<sup>rd</sup> World Health Assembly to make Chinese vaccines global public good, China is doing its best to provide vaccines to the world despite its huge domestic demand for vaccination, including supporting the equitable distribution of vaccines worldwide, and promoting accessibility and affordability of vaccines for a large number of developing countries. As of October 2021, the total amount of vaccines delivered by China to the rest of world has exceeded 1.4 billion doses.

***Case: Initiative for Belt and Road Partnership on COVID-19 Vaccines Cooperation***

To further promote cooperation on vaccines among Belt and Road cooperation partner countries, an Initiative for Belt and Road Partnership on COVID-19 Vaccines Cooperation was jointly launched by Afghanistan, Bangladesh, Brunei, Cambodia, Chile, China, Colombia, Fiji, Indonesia, Kazakhstan, Kyrgyzstan, Laos, Malaysia, Maldives, Mongolia, Myanmar, Nepal, Pakistan, the Philippines, Saudi Arabia, Singapore, Solomon Islands, Sri Lanka, Tajikistan, Thailand, Turkmenistan, United Arab Emirates, Uzbekistan, and Viet Nam at the Asia and Pacific High-level Conference on Belt and Road Cooperation on 23 June 2021. Participants of the initiative agreed on the following:

1. We recognize that solidarity and cooperation are key to fight against the COVID-19 pandemic, a challenge confronting all countries in the world.

2. We believe that in combating the pandemic, people and their lives must be put first, and no one can be safe until everyone is safe.

3. We stress that vaccines, as an important part of our toolkit for pandemic response, should be equitably distributed as global public good, inter alia, in a way that their availability, accessibility and affordability in developing countries are ensured.

4. Recalling the relevant resolutions of the United Nations General Assembly and the World Health Assembly as well as the Political Declaration on Equitable Global Access to COVID-19 Vaccines, we call for open, fair and non-discriminatory international cooperation on vaccines.

5. We commend the efforts made by the United Nations system, in particular the World Health Organization (WHO), as well as by relevant countries in carrying out cooperation on vaccines.

6. We call upon Belt and Road cooperation partners to focus on the following:

- Strengthen communication on vaccine regulatory policies to jointly ensure the safety and efficacy of vaccines.

- Encourage vaccine producing countries, which are in a position to do so, to support vaccine companies in providing more vaccines to the COVID-19 Vaccine Global Access (COVAX) facility of the WHO.

- Support the provision of vaccines by governments and companies to developing countries either through donation or export at affordable prices.

- Facilitate joint vaccine research, development and technological exchanges, and encourage transferring relevant technologies to developing countries.

- Promote partnerships between vaccine producers and developing countries for joint vaccine production towards the scaling up of global production.

- Encourage regional and multilateral development banks to provide more concessional financing to developing countries for their vaccine procurement and production, while respecting each country's right to select its preferred vaccines.

- Strengthen Belt and Road cooperation on connectivity to ensure cross-border flows of vaccines.

7. We look forward to the participation of more partners in this initiative.

### 3.2.2 Promoting the Green Transformation of Belt and Road Cooperation

The Advisory Council members generally agreed that strengthening cooperation in addressing climate change and achieving green economic recovery reflects an international consensus and a common will of most countries. It is recommended that the green recovery

could be driven further by the efforts to build a green silk road, including through accelerating the “green transformation” of Belt and Road cooperation, increasing the proportion of green investment, tapping the potential of green energy projects in accordance with the natural endowments of each country, and reducing investment in fossil energy projects.

Some members noted that China has announced a timetable for carbon emission peak and carbon neutrality, supported the establishment of the Belt and Road Initiative International Green Development Coalition and launched the Green Investment Principle (GIP) for the Belt and Road Initiative, which were welcomed by the international community. In the future, China's green development experience could be promoted and disseminated through Belt and Road cooperation to benefit partner countries. Belt and Road cooperation could also play a leading role in global green development by fully utilizing the green cooperation platforms under the BRI and incorporating ESG standards into Belt and Road projects. A green development fund was proposed to be established to help countries expand investment in green projects. It was also suggested that, with energy accessibility no longer being a problem in most partner countries, Belt and Road cooperation could focus more on renewable energy and gradually phase out coal-fired power plants. The Dubai solar thermal power plant jointly built by China and the UAE is a landmark project that showcases the partner countries' efforts in promoting green energy .

Other members proposed to continue developing Belt and Road big data platforms for environmental protection, so as to improve the transparency of environmental data of projects. The collection and exchange of environmental information should be stepped up, and local governments should be encouraged to take more responsibility for environmental issues. It was also proposed to launch more projects that are in line with high environmental standards.

***Case: Dubai Solar Thermal Power Plant***

The 950 MW solar thermal photovoltaic hybrid power plant in Dubai jointly built by China and the UAE is a model project of the green Belt and Road cooperation and currently the world's largest solar thermal power project. In October 2019, the project was certified by the Climate Bonds Initiative for renewable energy project financing, making it the first renewable energy project in the Gulf Cooperation Council (GCC) region receiving such certification.

The project is jointly invested by Dubai Electricity and Water Authority (DEWA), the Silk Road Fund from China and ACWA Power from Saudi Arabia, and is expected to be put into commercial operation in August 2021. Shanghai Electric is the engineering, procurement and construction (EPC) contractor of the project.

The project is featured with three 200 MV solar parabolic trough power plants, one solar power tower with 100 MW capacity, and a 250 MW photovoltaic power plant. This technical solution combines the technological maturity of parabolic trough power plants and the high-efficiency of tower power plants, increasing the overall energy storage capacity while reducing the energy storage cost. As a result, the levelized cost of electricity could be as low as US\$0.073 (approximately 0.5048 RMB) per kWh, which is rather competitive economically. Upon completion, the plant will be able to operate 24 hours a day, providing green energy to 320,000 households and reducing carbon emissions by 1.6 million tons per year, making it an important part of Dubai's clean energy strategy and its green economy.

***Case: Initiative for Belt and Road Partnership on Green Development***

To further support green transformation of Belt and Road cooperation partner countries, an *Initiative for Belt and Road Partnership on Green Development* was Jointly launched by Afghanistan, Bangladesh, Brunei, Cambodia, Chile, China, Colombia, Fiji, Indonesia, Kazakhstan, Kyrgyzstan, Laos, Malaysia, Maldives, Mongolia, Myanmar, Nepal, Pakistan, the Philippines, Saudi Arabia, Singapore, Solomon Islands, Sri Lanka, Tajikistan, Thailand, Turkmenistan, United Arab Emirates, Uzbekistan, and Viet Nam at the Asia and Pacific High-level Conference on Belt and Road Cooperation on 23 June 2021. Participants of the initiative agreed on the following:

1. Recalling the 2030 Agenda for Sustainable Development, the United Nations Framework Convention on Climate Change (UNFCCC) and the Paris Agreement adopted under the convention, we emphasize that there is but one Planet Earth and it is our shared responsibility to work towards ecological and environmental protection. All countries need to make concerted efforts to foster green, low-carbon and sustainable development.

2. We reaffirm that climate change is one of the major challenges of our time, and all countries, particularly developing countries, are vulnerable to its adverse impacts. Climate



change can be addressed through climate actions guided by the principle of equity and common but differentiated responsibilities and respective capabilities, in light of different national circumstances.

3. We call for internationally collaborative efforts to achieve green and sustainable recovery, and foster a low-carbon, resilient and inclusive post-pandemic growth.

4. We take note of the progress made by relevant Belt and Road cooperation partners, on a voluntary basis, in building a green silk road, including the development of the Belt and Road Initiative International Green Development Coalition (BRIGC), and the formulation of the Green Investment Principles for Belt and Road (GIP).

5. We call upon Belt and Road cooperation partners to focus on the following:

- Continue the efforts towards achieving the goals set in the 2030 Agenda for Sustainable Development by fostering economic, social, and environmental development in a balanced and integrated manner.

- Support green and low-carbon development, including through the implementation of the Paris Agreement and sharing of best practices.

- Strengthen policy communication and coordination on green development to draw upon each other's experience and good practices, while respecting different national circumstances as well as legal and regulatory frameworks.

- Deepen environmental cooperation to step up ecological and water resources conservation efforts and to achieve harmony between Human and Nature for green and sustainable development.

- Promote environment-friendly and resilient infrastructure through, inter alia, enhancing climate and environmental risk assessment on projects, drawing upon internationally recognized standards and best practices, as well as advocating corporate social responsibilities in protecting the ecological environment.

- Promote development and utilization of clean energy as well as enhanced international

cooperation on renewables, to ensure affordable and economically sustainable energy in developing countries.

- Encourage national and international financial institutions to provide adequate, predictable and sustainable financing for environment-friendly and low-carbon projects through development of effective financial instruments.

- Strengthen human and institutional capacity in implementing climate change adaptation and mitigation.

6. We look forward to the participation of more partners in this initiative.

### 3.2.3 Deepening Cooperation in the Digital Sector

The Advisory Council members generally agreed that the digital economy is an important pillar for future world economy. Taking into account that the importance of digital technology in pandemic response and economic recovery has been highlighted during the COVID-19 outbreak, deepening cooperation in the digital sector and building a digital silk road is in the common interest of all partner countries. Some members emphasized that the key for building a digital silk road is to ensure inclusive development in the digital sector. Rural and remote areas in some partner countries still lack basic digital infrastructure, such as the Internet, and thereby cannot enjoy the dividends of the digital era. Priority should be given to helping these countries improve their digital infrastructure, ensure universal coverage of the Internet in major cities, develop digital industries, promote industrial digitization, and nurture digital skills for young people. In addition, China can play a role in enhancing digital infrastructure connectivity through measures such as building cross-border fiber optic cables and promoting commercial applications of the BeiDou global satellite navigation system.

Other members recommended that the digital silk road should advance high-level development in the digital sector, such as 5G technology, international e-commerce and cross-border digital payment, and foster the development of standards and norms in the digital sector with the joint efforts of partner countries. Some members noted that, as the environment for global digital cooperation has deteriorated, many countries are wary of large projects that

would be very costly. Therefore, priority could be given to cooperation on smart cities, including holding forums and sharing experience and practices among cities of partner countries, to explore ways to harness the benefits of digitalization and achieve better development.

**Case: *Silk Road E-commerce***

The development of Silk Road E-commerce is an important step to further push forward Belt and Road cooperation in economic and trade areas. At the end of 2016, the Ministry of Commerce of China and the Ministry of Foreign Affairs of Chile signed the first bilateral MOU on e-commerce cooperation. Since then, the global network of Silk Road E-commerce has been expanding gradually. By the end of 2020, China has signed MOUs and established bilateral cooperation mechanisms with 22 countries in this field. By strengthening policy and planning coordination, experience sharing and information exchange, Silk Road E-commerce has achieved fruitful results.

First, Silk Road E-commerce has boosted commodity trade among Belt and Road cooperation partner countries and become a new driving force for economic and trade recovery and cooperation. For example, Rwanda signed a MOU on e-commerce with China in 2018, allowing Rwandan coffee and pepper to enter the Chinese market via e-commerce platforms, through which farmers in Rwanda are able to share the dividends of China's digital economy. In a charity livestream in 2020 jointly hosted by the Rwandan ambassador to China and Taobao, an online shopping platform in China, more than one ton of Rwanda's locally roasted fine coffee was sold in just ten minutes, which is equivalent to the sales of this variety of coffee in China in the whole year of 2019.

Secondly, in the face of the impact of the pandemic, Silk Road E-commerce has played an active role in ensuring the supply of goods, stimulating consumption and facilitating trade. At the beginning of the pandemic when China was in urgent need of medical supplies, Lazada, a Southeast Asian cross-border e-commerce platform, opened up a COVID channel on its website and assisted the operation of cross-border sellers, so as to ensure the supply of medical materials to China. When the pandemic was under control in China and enterprises resumed production and business, China also supported foreign countries through Silk-Road E-commerce in

combating COVID-19. To meet the soaring demand for medical supplies from ASEAN countries, the government of Guangxi Zhuang Autonomous Region launched a special event on 9 April 2020 for cross-border sales of anti-epidemic products such as protective garments, masks, goggles and other products, attracting nearly 10,000 viewers from Southeast Asia. The anti-COVID materials sold through the live streams were delivered to ASEAN consumers through mature and convenient logistics channels of cross-border e-commerce, alleviating the local shortage of medical supplies.

### 3.2.4 Tackling the Debt Issue Effectively

The Advisory Council members noted that the pandemic has greatly impacted the economic development and balance of payments of some Belt and Road cooperation partner countries, and thereby may affect their investment in Belt and Road projects. Considering that the G20 has adopted the Debt Service Suspension Initiative (DSSI) for the poorest countries, it was suggested that multilateral cooperation should be further encouraged on this basis through DSSI to tackle the debt problem properly.

Some members suggested that the one-year G20 DSSI should be extended and expanded into a more comprehensive debt relief program, and that developing countries receiving debt relief should be encouraged to use their limited funds to support anti-COVID efforts as well as green and inclusive development. Some members suggested that the DSSI should be expanded to include middle-income island countries and other vulnerable economies in the Caribbean. It was stressed by some members that all relevant parties, including multilateral development banks, need to work together on introducing substantive debt relief and debt exemption measures, and formulating a package of bailout schemes that ensures the participation of both private and public sectors. Some other members also proposed that, apart from the DSSI, there is a need to enhance debt transparency, so as to make accurate assessments of debt sustainability, and promote cooperation on debt issues among countries under a common framework towards meaningful debt relief and restructuring programs.

The Advisory Council members recognized that China is an essential advocate and practitioner of debt relief initiatives and has never forced any borrowing country to pay its debts

when it is unable to do so, let alone using the debt settlement to capture strategic assets from other countries. On the contrary, China has played an important role in supporting developing countries to deal with the debt crisis. Members noted that China has agreed on a suspension of debt service for eligible countries from 1 May 2020 to the end of 2020, and supported the extension of the G20 DSSI to December 2021. Meanwhile, China has called on multilateral financial institutions and private creditors to take corresponding measures to effectively reduce the debt burden of developing countries. China has also provided further support to the African countries that were in extremely difficult condition through bilateral channels. In addition, the financing provided by China has been mainly used to support economic development, such as improving transport, power and energy infrastructure, which in the long run will enable endogenous drivers of economic growth for developing countries, and provide strong support for alleviating their debt problems through economic development.

### 3.2.5 Enhancing Belt and Road Cooperation with European Countries

Some Advisory Council members pointed out that the Belt and Road cooperation is of great importance to European countries, as it will allow countries in Europe to maintain their traditional relations with the United States, while strengthening their ties with China and Asia. The increasing number of trains and the volume of shipments of China-Europe Railway Express against the headwind of the pandemic has fully illustrated the huge trade potential between China and Europe. Therefore, efforts to reinstate a mode of cooperation are needed. It was suggested that China and the EU may launch common initiatives in Africa through joint decision-making, such as the construction of hospitals and health information centers in the Horn of Africa. The two parties can also strengthen cooperation in the field of public health, such as linking health product manufacturers from both China and Europe, promoting the exchange of pandemic information and data, and carrying out joint R&D in the advanced sector of health and at the forefront of science. Promoting green development and the implementation of the Paris Agreement could be another major field for China-Europe cooperation. In addition, China and Europe should also strengthen cooperation in areas such as market regulations, patent protection, and governance, etc. It was noted that China has signed agreements on third-party market

cooperation with some European countries such as France, Italy, Spain, Belgium and the Netherlands since 2015, and such cooperation should be further pursued.

### 3.2.6 Supporting Economic Transformation of Africa

Some Advisory Council members suggested that Belt and Road cooperation could provide further support for Africa's economic transformation. One of the focus could be supporting the development and implementation of the African Continental Free Trade Area (AfCFTA). It was introduced that the AfCFTA, which was officially launched in January 2020, would be key towards the economic transformation of Africa. It aims to boost intra-African trade (from less than 20% to 50% by 2030) under the banner of a comprehensive and mutually beneficial trade agreement among African Union member states that covers trade in goods and services, investment, intellectual property rights and competition policy. It also seeks to improve the Africa's capacity to trade with the world. By supporting the AfCFTA, Belt and Road cooperation could help in promoting intra-African trade and, most importantly, facilitating Africa's participation as an equal partner in global trade, particularly in the global supply and value chain. And strengthening Africa's ability to produce and trade globally will also improve the quality of global trade.

The other focus could be accelerating the implementation of African Union's Agenda 2063. It was mentioned that the African population is expected to double by the year 2050, making it the most populous continent, while about 70% of the population will be of working age by then. Therefore, it is important to create an enabling environment whereby this population can survive and thrive. In this regard, the African Union developed the Agenda 2063 which is a concrete and implementable framework with a clear vision, 7 aspirations, 20 goals and 39 priority areas with targets and indicators. Some of the key developmental areas include: i) Climate Change - promotion of blue economy and climate resilient and sustainable economies and communities; ii) Inclusive Growth and Sustainable Development; iii) World Class Infrastructure; and iv) A Strong, United, Resilient and Influential Global Player and Partner. As such, the Agenda 2063 is very much aligned with the SDGs, and thereby fits the renewed mission of the Belt and Road cooperation.

## Conclusions and Look Forward

With the 2<sup>nd</sup> BRF as a milestone, the Belt and Road cooperation is embarking on a new journey with a renewed mission towards high-quality development. High-quality Belt and Road cooperation is underpinned by the principles of extensive consultation, joint efforts and shared benefits, the approach of open, green and clean cooperation, and the pursuit of high-standard, people-centered and sustainable development. The Advisory Council members believe that, by nurturing new cooperation platforms, exploring new cooperation approaches, promoting new initiatives, and implementing new endeavors, high-quality Belt and Road cooperation will further contribute to the common development and shared prosperity for all of its partners.

Academic research supports the Advisory Council members' view. Empirical studies show that Belt and Road cooperation, by closing the infrastructure gap, could build up corridors for connectivity while enhancing harmonization of norms and standards, promoting industrialization and innovation, accelerating regional economic integration, which will in turn foster industrial clustering, economic development and improvement of people's livelihood, and contribute to accelerating the implementation of the 2030 Agenda. Against the backdrop of the COVID-19 outbreak and the consequential drastic global economic recession, Belt and Road cooperation played an essential role in helping partner countries fight against the pandemic, stabilize their economies and safeguard people's livelihood by strengthening cooperation on medical supplies and vaccines, maintaining connectivity and stability of global industrial and supply chains, and promoting the resumption of productive activities as well as socio-economic recovery.

Based on these key findings, the 2019 BRF Advisory Council Meeting put forward some of its recommendations for the next steps towards high-quality Belt and Road cooperation, which are summarized as follows:

- (1) Implementing high-quality projects;
- (2) Improving Belt and Road cooperation partners network;
- (3) Promoting global partnership on connectivity;

- (4) Contributing to world economic growth;
- (5) Fostering an open world economy;
- (6) Further accelerating the implementation of the 2030 Agenda;
- (7) Strengthening public diplomacy for Belt and Road cooperation, and
- (8) Harmonizing implementation of high standards with local circumstances.

To further promote high-quality Belt and Road cooperation in response to the COVID-19, some further recommendations were proposed by the 2020 BRF Advisory Council Meeting, including:

- (1) Strengthening cooperation on vaccines;
- (2) Promoting the green transformation of Belt and Road cooperation;
- (3) Deepening cooperation in the digital sector;
- (4) Tackling the debt issue effectively;
- (5) Enhancing Belt and Road cooperation with European countries;
- (6) Supporting economic transformation of Africa.

It is envisaged by the Advisory Council members that, building upon existing progress, high-quality Belt and Road cooperation, in conjunction with other local governance enhancements, will deliver more concrete outcomes, creating more space for world economic development, providing more opportunities for improving people's livelihood within partner countries, and contributing more to building a bright shared future for mankind.



## **Appendix 1:**

### **Participants of the 2019 BRF Advisory Council Meeting**

(Surname in Alphabetical Order)

1. Shamshad Akhtar, former UN Under Secretary General and former Executive Secretary of the Economic and Social Commission for Asia and the Pacific of the United Nations;
2. Sir Douglas Flint, HM Treasury's Financial and Professional Services Envoy to the Belt and Road Initiative, United Kingdom;
3. Mikhail Fradkov, former Prime Minister of Russia Federation;
4. Justin Yifu Lin, former Senior Vice President of the World Bank and Honorary Dean of National School of Development, Peking University;
5. Kishore Mahbubani, former Dean of Lee Kuan Yew School of Public Policy, National University of Singapore;
6. Erastus J. O. Mwencha, former Deputy Chairperson of the African Union Commission;
7. Mari Elka Pangestu, former Minister of Trade and former Minister of Tourism and Creative Economy of Indonesia;
8. Jean-Pierre Raffarin, former Prime Minister of France;
9. Essam Sharaf, former Prime Minister of Egypt;
10. MA Zhaoxu, Vice Foreign Minister of China (Convenor of the Advisory Council).

## **Appendix 2:**

## Participants of the 2020 BRF Advisory Council Meeting

(Surname in Alphabetical Order)

1. Shamshad Akhtar, former UN Under Secretary General and former Executive Secretary of the Economic and Social Commission for Asia and the Pacific of the United Nations;
2. Sir Douglas Flint, HM Treasury's Financial and Professional Services Envoy to the Belt and Road Initiative, United Kingdom;
3. Mikhail Fradkov, former Prime Minister of Russia Federation;
4. Justin Yifu Lin, former Senior Vice President of the World Bank and Honorary Dean of National School of Development, Peking University;
5. Kishore Mahbubani, former Dean of Lee Kuan Yew School of Public Policy, National University of Singapore;
6. Erastus J. O. Mwencha, former Deputy Chairperson of the African Union Commission;
7. Romano Prodi, former Prime Minister of Italy;
8. Jean-Pierre Raffarin, former Prime Minister of France;
9. Essam Sharaf, former Prime Minister of Egypt;
10. MA Zhaoxu, Vice Foreign Minister of China (Convenor of the Advisory Council);
11. Alicia Bárcena, Executive Secretary of Economic Commission for Latin America and the Caribbean (Special Guest of the Advisory Council);
12. Mari Elka Pangestu, Managing Director of Development Policy and Partnerships, World Bank Group (Special Guest of the Advisory Council).